

Scottish Rail Holdings Limited

Annual Report and Accounts
For the year ended 31 March 2025

Company Registration Number SC548826

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Performance Report

In alignment with the FReM (Government Financial Reporting Manual 2024/25) the following are included in the Performance Report:

- Company Information
- Chair's Introduction & Chief Executive's Overview
- Performance Overview
- Performance Analysis.

Company Information

Non-Executive Chair	Iain Docherty
Chief Executive and Accountable Officer	Hannah Ross
Executive Directors	John MacQuarrie Campbell Davidson Neil Amner
Non-Executive Directors	Rozanne Foyer Carolyn Griffiths Brian Baverstock Michael Bagshaw
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 13 November 2025. 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 53.

Chair's Introduction

On behalf of the Board, it is my pleasure to introduce the Annual Report and Accounts of Scottish Rail Holdings Ltd for the year ended 31 March 2025.

Scotland's Railway is a vital national asset. Every day, more than 2000 ScotRail passenger services connect people to jobs, education, healthcare, and to each other. Our Caledonian Sleeper trains provide a world class introduction to Scotland's vibrant cities and the grandeur of our Highland landscapes. The railway supports communities large and small, providing high quality, sustainable travel options all across the country.

How we use our railways has changed significantly since the onset of the pandemic. Demand for travel has altered across time of day, days of the week, and between different trip purposes such as commuting and leisure travel. Against this challenging background, more than 6000 colleagues across the SRH Group companies serve our passengers with care and commitment providing a safe, efficient and welcoming public service.

SRH recognises that the Scottish Government has continued to fund the railway network generously, enabling its recovery from the long term impacts of the pandemic. As passenger numbers move closer to the levels seen before 2020, our task will be to maintain this growth and maximise the economic, environmental and social contribution of the railway. To do this, we will encourage more people to use our trains, more often, continuing our work to improve reliability and punctuality – already consistently amongst the best of the major rail operators in Great Britain – still further.

Over the next few years, ScotRail services will benefit from further significant investment including more electrification of the network, and the introduction of new fleets of trains. Working in partnership with Network Rail, we will ensure that this investment delivers the maximum possible benefit for the people of Scotland, consistent with the ethos of a publicly-owned railway.

On a personal level, I would like to acknowledge the warm welcome I received from colleagues following my appointment in February. The SRH Board and employees have worked hard to build the capacity of the organisation to ensure it is as effective as possible in overseeing and advocating for the continued development of Scotland's Railway. I look forward to continuing this work with them in the years ahead.

Iain Docherty

Professor Iain Docherty
Chair, SRH Board

13 November 2025

Chief Executive Officer's Overview

I am pleased to present the Annual Report and Accounts for the year ended 31 March 2025. This report reflects a year of both significant progress and considerable challenge for the Scottish Rail Holdings Group.

Despite the continued pressures on public finances and the evolving demands of our transport infrastructure, we remained steadfast in our commitment to delivering safe, sustainable, and inclusive rail services to our passengers for the benefit of all in Scotland.

Financially, we have maintained strong stewardship of public funds. We have achieved sustained revenue and patronage growth despite the continued challenges faced through extreme weather and changing travel patterns. We continue to review our costs to ensure we provide an efficient, affordable and reliable rail service.

This year also marked a turning point in our organisational culture. The stabilisation of the Executive Team has given us a platform for development of our People Strategy, with our Values at its core. This allows us to now move to develop our workforce to meet the challenges of delivery in future. I am proud of the strides we've made in fostering a workplace in which our staff can develop and thrive.

We have developed a coherent five year strategy and associated business plan for delivery 2025-26 and are working to further develop this strategy as a basis for our future development and improvement, including fully realising the benefits of the Scotland's Railway Alliance and the opportunities that Rail Reform may bring. Looking ahead, we remain focused on developing a railway that meets the policy needs of Government, delivering the wider benefits that public ownership can bring: decarbonising transport, enhancing connectivity, and ensuring value for money for the taxpayer. I would like to thank our staff, stakeholders, and partners for their continued dedication and collaboration. Together, we are building a transport system that meets the needs of today while preparing for the challenges of tomorrow.



Hannah Ross
Chief Executive Officer

13 November 2025

Performance Overview

The purpose of this section is to provide an overview of the Scottish Rail Holdings Group (the Group), 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 2024/25.

The Group consists of Scottish Rail Holdings Limited (SRH) and its wholly owned subsidiaries, ScotRail Trains Limited (SRT) and Caledonian Sleeper Limited (CSL).

Who We Are

Purpose

Set up and owned by the Scottish Government as an arm's length company, SRH provides strategic leadership, oversight and advocacy for the development and delivery of Scottish Rail Services.

We own and oversee SRT and CSL.

We believe in the powerful impact that rail can have in contributing to the success of government policy and in the lives and wellbeing of the communities, businesses and visitors that we serve.

The work of the Group fully embraces all aspects of being a publicly owned service and takes a whole industry approach to rail by supporting the National Transport Strategy 2 (NTS2) which outlines four priorities for Scotland's transport system: that it reduces inequalities; takes climate action; helps deliver inclusive economic growth; and improves health and wellbeing.

Our Mission

Our mission is 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.

Our Values

Our values are Respect for All, Grow Together, Celebrate Diversity, Integrity and Champion Ambition.

Aims and Objectives

Our aims and objectives are that we are reliable, affordable, accessible and sustainable in the context of our number one priority to ensure we always operate a safe railway.

These aims and objectives are aligned to the NTS2 and our strategic priorities as set out in our published SRH Strategic Plan 2024-2029 and outlined in Summary of Strategic Priorities on page 9.

Business Model

SRH operates under a Framework Agreement entered into with the Scottish Ministers acting through its transport agency, Transport Scotland. The Framework Agreement was developed to discharge

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the Scottish Ministers' Section 30 Duties and sets out the broad framework within which SRH and its subsidiaries will operate. The Framework Agreement forms a key part of the accountability and governance framework which sets out how the Scottish Ministers discharge their Section 30 Duties. There are also separate Grant Agreements between SRH, the Scottish Ministers and SRT and CSL, which allow SRT and CSL to operate their services.

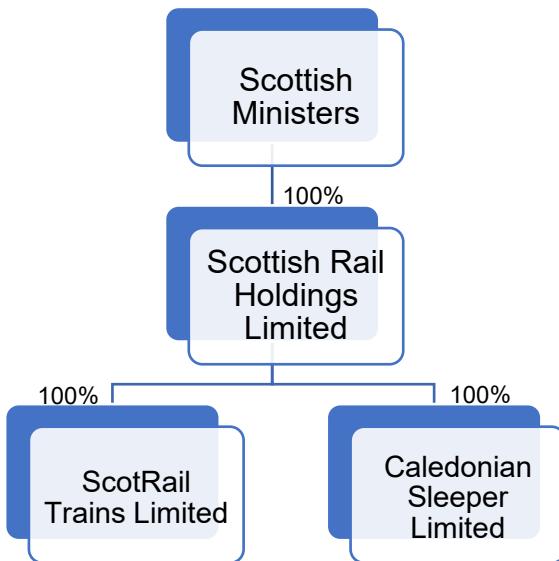
SRT operates passenger rail services and manages stations primarily in Scotland. SRT operate services across the whole of Scotland, from the UK's most northerly station in Thurso, all the way down to Gretna Green. SRT also operate a service to Carlisle in the north of England, alongside other further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

CSL operates overnight passenger rail services across 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.

Organisational Structure

SRH is a Non-Departmental Public Body and part of the Scottish Administration, with direct accountability to the Scottish Parliament. SRH is established under the Companies Act 2006 as a company limited by shares wholly owned by the Scottish Ministers acting through our Sponsor Transport Scotland, an Executive Agency of the Scottish Government. The shareholder structure is shown below.



The Chief Executive Officer (CEO) is the Accountable Officer for SRH and its subsidiaries, appointed by the Permanent Secretary to the Scottish Government and reporting to the SRH Board and the Scottish Ministers, via our Sponsor Transport Scotland. The CEO is supported by the SRH Executive Team.

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Please refer to the Corporate Governance Report on page 52 for more detail on roles, responsibilities and the governance structure in SRH.

Our Staff

Our people are vital to the success of the Group's businesses. As at 31 March 2025, the Group had 6,040 staff. Within the Group, most of our staff are employed by SRT (5,721 staff) and CSL (283 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 66.

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 Transport Scotland, 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, tourism bodies, 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.

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, the Group promotes knowledge sharing within the rail industry and wider community stakeholders and is committed to partnering with and contributing to charitable and voluntary communities.

CRPs play a pivotal role in Scotland's Railway, developing and connecting communities throughout Scotland, ensuring that everyone can benefit from a collective of projects and initiatives run by our CRP volunteers. From Thurso and Wick to Galashiels and Tweedbank, 9 CRPs cover a vast area of Scotland with the aim of using Scotland's Railway to enhance and improve the lives of the communities that they serve.

Alongside our CRPs, the ScotRail in the Community (SitC) team run the Adopt-a-Station programme, where community organisations and individuals can look after their home station by creating a welcoming and an inviting environment for all, often creating flower arrangements, installing planters, and regularly going above and beyond the average maintenance and upkeep of stations.

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A key strand of the CRPs and the ‘Adopt-a-Station’ programme is the vast network of volunteers. The latter sees more than 1,000 volunteers actively work to improve the environment at 211 Scottish stations.

As part of promoting knowledge sharing within the rail industry and wider community stakeholders, SRT provides a comprehensive rail safety programme for children and young people across the country.

Starting in April 2024, SRT established a three-year charity partnership with Age Scotland, Scotland’s national charity for older people, after staff across SRT 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. In 2024/25, CSL ran a Rail Safe Friendly Initiative to children in schools.

CSL has also partnered with City Harvest to donate all its unsold onboard food items.

Refer to the Performance Analysis *Community Rail* section on page 23 for more detail on the Group’s Community Engagement for 2024/25.

Summary of Strategic Priorities

This Performance Report notes the key successes and challenges of the Group against the SRH Strategic Plan 2024-2029.

Our strategic priorities support the delivery of the wider aims of the Scottish Government, including but not limited to, the National Performance Framework, Programme for Government, NTS2, National Planning Framework and the National Strategy for Economic Transformation.

As outlined in Our Purpose, the overarching aims of the NTS2 are to reduce inequalities; take climate action; help deliver inclusive economic growth and improve our health and wellbeing.

The annual business plans of SRH, SRT and CSL support the delivery of the strategic priorities of the Group.

Our strategic priorities for the Group for 2024/25 are set out in our first published SRH Strategic Plan 2024-2029 and our progress in delivering these outcomes is measured against the performance metrics in the SRH, SRT and CSL business plans.

The Group’s Seven Strategic Priorities

- First class safety systems:** Continuing to ensure that first class safety systems, oversight and governance are always in place.
- Serving more passengers:** Improving access to rail travel and an increase in the number of people travelling by rail.
- Better passenger experience:** Ensuring passengers have a great experience when they travel with us and aim to ensure we deliver guest and passenger satisfaction.

4. **Collaborative relationships and highly engaged people:** Continuing to attract, develop and retain highly engaged people in order to deliver our ambitious plans and foster collaborative relationships with key stakeholders.
5. **Better environment:** Decarbonising our fleet and improving the energy efficiency of our overall operation, as we work to support Government to achieve Net Zero commitments.
6. **Finances:** Growing revenue and managing our costs to ensure the level of subsidy provided by the Scottish Government remains affordable and provides value to the Scottish taxpayer.
7. **Robust corporate governance:** Ensuring good governance principles underpin everything that we do.

Performance Summary

The Group has made significant, positive progress in the realisation of our strategic priorities in our Strategic Plan 2024-2029. We have summarised the key highlights and challenges in the delivery of our strategic aims in the performance summary below. More detail is given in the Performance Analysis.

Priority 1: First class safety systems

To manage our safety systems we have:

- Provided safety oversight and governance. The Group continues to set itself ambitious targets for safety. These targets are deliberately stretching, reflecting a commitment to continual improvement and the Group's strong safety culture. SRT's staff lost time Injuries resulting in absence per 1,000 employees was 8.7 against a threshold of 10.2. Passenger accidents per million passenger journeys was 5.3 against a threshold of 5.1, materially driven by actual journeys being lower than forecast. SRT has delivered customer safety campaigns and taken corrective actions following deep dives into passenger accidents to continue to mitigate against passenger accidents. CSL's Staff Lost Time Injuries per 25,000 hrs worked was 0.19, against a threshold of 0.17 and guest accidents per 25,000 guest journeys were 3.4, against a threshold of 3.0. CSL has taken decisive steps — such as removing berth tables — to reduce risk and improve outcomes. CSL regularly inspects the CSL coaches to ensure any safety issues in relation to coach body cracking are promptly identified and resolved. Overall, the underlying safety performance remains stable from 2023/24 and improving in 2025/26.

Priority 2: Serving more passengers

To serve more passengers we have:

- Developed a customer engagement strategy and launched a pilot of new and improved customer standards in SRT. Due to challenges faced from the complex contract involved and work involved in meeting SRT's business requirements, our new look Customer Relations Contact Centre is now expected to go live in 2025/26 (originally 2024/25). CSL launched a new website which has delivered on record traffic levels and a significant reduction in less complex queries to the Service Centre.
- Continued to develop our tourism strategy, ran domestic and international marketing campaigns and developed a draft Partnership agreement between SRT and CalMac. CSL launched an online souvenir shop and sought to engage the overseas inbound tour operators through key events such as VisitScotland Connect.

Priority 2: Serving more passengers (continued)

- Continued the SRT off-peak all-day fares trial to September 2024 and worked collaboratively across the wider transport industry in Scotland to improve integrated ticketing. Our plan had been to develop a long-term fares and ticketing strategy by March 2025. As a consequence of the Scottish Government decision to abolish peak fares, the focus of SRH and other parties was to ensure this was delivered smoothly. We are now working with SRT and Transport Scotland to develop a strategy that takes account of government policy and financial sustainability for adoption by the end of 2026.
- Worked to improve overall accessibility to passengers, including further development of active travel and accessibility strategies at stations; on train experience; and bookings on the CSL website.
- Appointed a new SRH Customer Experience & Community Engagement Officer who has been working with CRPs to build upon the work undertaken by our volunteers. Provided funding for community projects, such as Stow Station building regeneration project and partnered with and contributed to charitable and voluntary communities.

Priority 3: Better passenger experience

To provide passengers with a better experience we have:

- Continued to develop the Group's fleet strategy, with bids to supply SRT with a replacement intercity fleet going live in December 2024 and the Periodic Indicative Notice (PIN) for CSL traction options exercise being issued in February 2025. The suburban fleet Grant Agreement variation and PIN was published in July 2025. The fleet strategy was presented to the Board in August 2025. In September 2025 the Cabinet Secretary for Transport and First Minister announced that approval had been granted for the partial electrification of the Fife and Borders routes along with a procurement competition for a new fleet of Suburban trains.
- Monitored our operational performance against targets and worked to ensure that our passenger services perform to a high standard. SRT delivered Scotland's Public Performance Measure ('STPM') on a rolling 12 month moving annual average ('MAA') of 89.7% (target 92.5%). SRT Cancellations MAA and Capacity MMA remained stable at 0.9% and 0.7% respectively, remaining better than their respective targets of 1.6% and 1.0%. Increased recruitment of drivers, together with heavy maintenance programmes and wheel slip protection initiatives are expected to improve performance in 2025/26. SRT Customer satisfaction averaged 90% against a target of 91%. The temporary timetable impacted SRT's capacity to meet target, however following the restoration of the full timetable, customer satisfaction recovered by year end. CSL exceeded its key performance targets with a Right Time Performance of 87.8% (target 80%) and Guest Satisfaction 3 stars and above averaging 88% (target 85%) for overall journey experience.
- Introduced rail services to Levenmouth for the first time since 1969 and delivered major timetable improvements in Ayrshire, Inverclyde, and Fife.
- Produced a Joint Performance Strategy for 2025/26, between SRT and Network Rail, to ensure a whole system approach to performance improvement, including steps to achieve a STPM MAA of 90.7% for SRT by the end of 2025/26.
- Reviewed station opening hours and staff availability, with new ticket office hours implemented from 31 March 2025.
- Developed and commenced implementation of a long term CSL Lounge strategy.

Priority 4: Relationships and people

To build collaborative relationships and attract, retain and develop highly engaged people we have:

- Continued to review and refine the SRH organisational structure to further strengthen SRH's ability to meet Sponsor requirements and ensure efficient oversight of SRT and CSL.
- Completed the SRH People strategy development in Q4 2024/25, which provides a 5-year strategic People Plan and key priorities for 2025/26. SRT and CSL delivered significant people initiatives. SRH recruited a new Chair of the SRH Board, ensuring continuity upon expiry of the outgoing Chair's fixed term appointment.
- Continued to invest in developing CSL's teams and internal systems to allow the elimination of reliance on outsourced shared services and successfully implemented its core Enterprise Resource Planning systems for HR and finance in early April 2025.

Priority 5: Better environment

To take climate action we have:

- Developed the Group's fleet strategy, as outlined in Priority 3, to reduce carbon emissions of our rolling stock.
- Commenced development of a 5-year Environmental Performance and Climate Action Strategy for SRH. CSL have produced its Environmental, Sustainability & Social Governance strategy, and SRT have developed with Network Rail a joint Climate Action Plan which will be delivered over the next 5 years (2024 – 2029).
- Replaced 40,000km of diesel bus operations with new zero-emission Glasgow stations link buses within Glasgow city centre. Passenger use increased 50 per cent to 91,000 journeys.

Priority 6: Finances

To grow our revenue and manage costs we have:

- Applied revenue protection initiatives (e.g. manual barriers, increased ticket examiners and protecting revenue at Special Events) to reduce ticketless travel and increase revenue.
- Implemented several revenue growth initiatives. These include, but are not limited to, fares proposals such as continuation of Peak Fares trial and Season/Flexi 20% off; launch of Account Based Travel trial; domestic and international marketing campaigns; lounge strategies; and CSL's online souvenir shop.
- Reviewed our costs and delivered on cost efficiencies to ensure we continue to provide an affordable, efficient and reliable rail service.
- Provided oversight and rigorous budgeted monitoring, with periodic finance and capital budget monitoring reports being produced four weekly and reviewed by the Boards of SRH, SRT and CSL and our Sponsor.

Priority 6: Finances (continued)

These initiatives have contributed to:

- Passenger revenue growth of 12% from 2023/24.
- The ability to manage key budget pressures and operate within the agreed £1bn budget allocation despite the challenging cost environment, extreme weather events and changing travel patterns.

The Financial Performance section on page 39 considers the Group's financial performance during the year in further detail, including an analysis of the Group's outturn versus the approved budget allocation.

Priority 7: Robust corporate governance

To ensure we comply with governance best practice we have:

- Worked to deliver an updated Alliance Agreement between SRT and Network Rail Scotland, which was signed in October 2024, with the SRH CEO appointed Lead Executive.
- Refreshed the SRH strategic and business plan, which was approved by Transport Scotland and the Cabinet Secretary for Transport in March 2025, and has now been published.
- Approved plans in May 2025 to prepare and then implement a framework for delivering against SRH's duty to deliver Best Value. Although approved business plans included a wide range of initiatives and planned actions intended to support continuous improvement across the seven Best Value characteristics, it was recognised that the Group had not formalised its approach to best value prior to this.
- Produced the SRH Risk Management Strategy and Risk Appetite Statement, which was approved by the SRH Board in April 2025. Key risks are summarised on page 13. More information is given in Principal Key Risk and Uncertainties on page 43.
- Launched the CSL disruption management strategy in September 2024. SRT and CSL have business resilience plans and procedures in place to address anticipated major disruption events. SRH is developing its business resilience position. Our aim is to develop a co-ordinated Group approach in the future.
- Achieved Cyber Essentials accreditation for SRH. As a key threat to global business, cyber security is a standing item on all three Group companies' board agendas, with additional presentations and reports presented during the year.

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 Group are included below.

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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 ensuring the efficient delivery of agreed service level specifications within the approved budget allocation. This includes challenges around growing passenger numbers, delivering budgeted income levels and effectively controlling costs.
Operational	<p>Having sufficient, appropriate and reliable rolling stock to deliver planned services.</p> <p>Ensuring sufficient and appropriately skilled staff are available to deliver planned services.</p>
	<p>Maintaining the safety of staff and passengers, and those who interact with our operations and ensuring compliance with general and rail-specific health and safety legislation and associated guidance that all railway operators must comply with.</p>
	<p>Service performance is highly dependent on partners and external suppliers who operate the rail infrastructure and support us in the operation of our rolling stock and our delivery of planned services.</p>
Resilience and business continuity	<p>Resilience and business continuity challenges including increased risks arising from climate change/increasing frequency of severe weather events which can threaten the safety and reliability of the rail infrastructure and our ability to operate planned services.</p>
Information	<p>Cyber and information security risks require proactive management to ensure we can appropriately protect, secure and have access to our systems and data.</p>

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 on page 43.

Future Developments

We are working with Transport Scotland to ensure that all aspects of the Group's work fully embrace all aspects of being a publicly owned service and that we deliver best value.

As required by the Framework Agreement, SRH has a rolling five-year strategic plan in place that is reviewed and refreshed annually. During the year, SRH reviewed our published SRH Strategy 2024-2029, against which this Performance Report measures against, and built on and refreshed this, resulting in our SRH Strategy 2025-2030. The refreshed strategy demonstrates our ambition for the development and delivery of reliable and sustainable rail services in Scotland and is being implemented from 1 April 2025. Our high-level objectives under the plan are to reduce inequalities, take climate action, help deliver inclusive growth and improve our health and wellbeing. We will continue to oversee the railway, seeking to further embed the Alliance agreement between SRT and

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Network Rail, engage with proposals for Great British Rail Reform (as it relates to Scotland) and ensure a robust system of oversight and challenge to deliver the Fleet procurement programme. We will continue to oversee and challenge improvements in performance and journey time in line with the Grant Agreements with SRT and CSL.

A notable milestone for SRT in 2024/25 was the return of rail services to Leven in Fife after more than 50 years, and new timetables introduced in June 2024 across Fife, Ayrshire, and Inverclyde. In May 2025, services at Leven and Cameron Bridge increased to two trains per hour, significantly enhancing connectivity across Fife and to Edinburgh. SRT also progressed the East Kilbride enhancement project in partnership with Network Rail and East Renfrewshire Council. From December 2025, the majority of services on the route will be operated by modern electric trains. The new timetable will provide communities along the corridor with a half hourly frequency from start to close of service. A programme of regional timetable reviews and subsequent changes are underway to ensure services align with community needs and resources. Fleet renewal remains a key strategic focus as outlined further in the Fleet Strategy section on page 24. Following the Scottish Government's announcement, peak fares were abolished in September 2025. The Group is working with Transport Scotland to use these policy changes to deliver the best outcomes for customers whilst continuing to provide value for the taxpayer.

As we look ahead to 2025/26, CSL will be focused on key workstreams to embed the new operating model that has been established post transition from Serco shared services across CSL's support functions. This includes optimising the benefits of our new IT environment. CSL will also deliver a strategy out to 2030, which will drive the business up to that date and establish enablers for future success beyond that date. In addition, CSL will initiate the procurement process for the replacement of the current Locomotive Haulage contract and also initiate a project to assess the options and inform the strategy for the provision of train maintenance and spare parts from 2030, when the existing contracts expire.

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 Transport Scotland 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 Group with additional assurance and stability over its operations. Refer to 1.23 Critical Accounting Judgements and Key Sources of Estimation Uncertainty 'SRT and CSL Grant Agreement Terms' on page 96, for further detail.

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

Performance Analysis

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

For the group's seven strategic priorities, we have noted our progress by workstream, however, many of these workstreams are interlinked and should not be considered in isolation.

Priority 1: First Class Safety Systems

Keeping passengers and colleagues safe and secure will always be the top priority of the Group.

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 (SHECs) in SRT and CSL, and in collaboration with other key partners such as British Transport Police and Network Rail.

In addition, rail safety is regulated by the Office of Rail and Road (ORR), the UK's independent rail safety regulator, responsible for setting and enforcing safety standards, certifying operators, and monitoring compliance across the rail network. During this reporting period both SRT and CSL have been inspected by the ORR, ensuring high safety standards for staff, passengers, and the public are maintained.

SRH is responsible for ensuring that first class safety systems, oversight and governance are always in place. We ensure that our subsidiaries give safety matters appropriate priority, and discharge their obligations set out in their safety certificate. We continue to provide oversight in the following key areas:

- Monitor the subsidiaries safety results against the Key Performance Indicators (KPIs) approved by the Boards of SRT and CSL, and challenge KPIs where targets are not being met.
- Encourage cross-industry safety issue awareness and collaboration, both within the Group and across the UK rail industry (for example, being a member and participating in the National Adhesion Working Group; our improved sanders equipment programme; and our active participation and contribution to local and national groups addressing the recommendations from the Carmont Steering Group).
- Engage the accountable leaders of SRT and CSL on topical safety issues, supporting, encouraging and challenging where necessary.
- Reviewing reports for assurance of SRT's and CSL's management of specific risks (such as the handling of CSL coach cracking).

The Group measures its performance based on a number of KPIs, ranging from including potentially high-risk incidents such as SPADS (signal passed at danger), station overruns and train overspeeds to lower risk and precursor events. SRH is currently working with SRT and CSL to rationalise the reporting framework for the Group which will form the basis of safety KPIs reported in the Group Annual Report and Accounts going forward and to enable better year on year tracking. The key KPIs currently reported in these accounts are Staff Lost Time Injuries and Passenger/Guest Accidents.

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The Group continues to set itself ambitious targets for safety. These targets are deliberately stretching, reflecting a commitment to continual improvement and the Group's strong safety culture. Safety targets are designed to challenge the organisation to drive performance beyond historical levels.

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. Safety targets are monitored from the KPI scorecard at differing levels of aggregation including 4 weekly SRT Executive ScotRail Safety, Health and Environment (SSHE) meetings, monthly boards and quarterly Board Safety, Health & Environmental Committee meetings.

One key area of focus in the year was combatting anti-social behaviour. One of the key initiatives has been the expansion and upgrade of body worn cameras for staff, with 1,000 cameras now accessible to all frontline colleagues. The cameras provide an enhanced level of safety and security on train and in stations for staff and customers. This aligns with a recent joint Rail Delivery Group and British Transport Police study into the effectiveness of body worn cameras which highlighted that the chances of an assault on front line colleagues reduces by 47% and has a substantial impact on court outcomes.

The reporting method for SRT safety KPIs has now changed from absolute numbers to a pro-rata KPI measure with Staff Lost Time Injuries resulting in absence now "per 1,000 employees" and Passenger accidents now "per million passenger journeys".

In 2024/25 SRT's Staff Lost Time Injuries resulting in absence per 1,000 employees was 8.7 against a threshold of 10.2. In absolute numbers this equated to 53 (in 2023/24 this was 62) against a threshold of 58 (the threshold in 2023/24 being 35). The most common Staff Lost Time Injuries were slips, trips and falls. This improvement from 2023/24 follows the delivery of action plans resulting from deep dives and communication campaigns regarding mindfulness of the issues that can cause distractions to employees and reduce situational awareness, which are the largest cause of the SRT's Lost Time Injuries.

In 2024/25 passenger accidents per million passenger journeys was 5.3 against a threshold of 5.1, materially driven by actual journeys being lower than forecast. In absolute numbers this equated to 450 (in 2023/24 this was 434) against a threshold of 455 (the threshold in 2023/24 being 395), being 1.1 per cent lower than threshold. Analysis of passenger accident data for 2024/25 highlights that 95 per cent of incidents were of a minor nature, with 68 per cent of the incidents being categorised as slips, trips and falls. SRT has delivered customer safety campaigns and taken corrective actions following deep dives into passenger accidents to continue to mitigate against passenger accidents. Some examples of local initiatives include improvements to the escalator environment at Partick Station and regular and frequent posting across SRT social media channels raising awareness to customers on how to safely board and alight trains.

SRT is fully committed to supporting the ongoing Fatal Accident Inquiry (FAI) into the derailment at Carmont and continues to implement the recommendations of the March 2022 Rail Accident Investigation Branch (RAIB) report, working with Network Rail as appropriate.

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

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of the staff who work on and maintain the High Speed Train (HST) fleet to engage with the operators and owners of the trains on those recommendations. This work is approaching completion.

CSL

The reporting method for CSL safety KPIs has now changed from absolute numbers to a pro-rata KPI measure with Staff Lost Time Injuries to “per 25,000 hrs worked” and guest accidents “per 25,000 guest journeys”, this being a more appropriate measure with changes to hours worked or guest journeys.

In 2024/25, CSL’s Staff Lost Time Injuries per 25,000 hrs worked was 0.19, against a threshold of 0.17. In absolute numbers this equated to 4 (in 2023/24 this equated to 2) against a threshold of 3 (the threshold in 2023/24 also being 3). In 2024/25 customer accidents per 25,000 guest journeys were 3.4, against a threshold of 3.0. In absolute numbers this equated to 41 (in 2023/24 this equated to 38) against a threshold of 36 (the threshold in 2023/24 being 25). These results should be seen in the context of CSL having an average of 283 staff and 296,593 passenger journeys in the year. In both 2024/25 and 2023/24 passenger accidents related to minor injuries.

CSL has taken decisive steps — such as removing berth tables — to reduce risk and improve outcomes. CSL regularly inspects the CSL coaches to ensure any safety issues in relation to coach body cracking are promptly identified and resolved and has undertaken modification work. Refer to Principles Key Risks and Uncertainties *Operational – rolling stock* on page 44 for further detail on the coach body cracking and solutions implemented. Overall, the underlying safety performance remains stable from 2023/24 and improving in 2025/26, with evidence that the right actions are being taken in response to incidents.

In order to ensure the health and safety of our staff, CSL is looking at additional risk mitigation measures and have trialled the use of body worn video cameras. As there is a good source of evidence that the use of body worn video cameras are successful and expected to improve matters, CSL plan to introduce the cameras in full consultation with their onboard colleagues and their representatives.

CSL constantly drives improvements that improve the health, safety and wellbeing of staff and have continued to have an increased focus on a program of Assurance Audits and Inspections that validate compliance with their own processes and procedures, particularly due to CSL’s significant reliance on contracted suppliers of safety critical staff. The program therefore also covers CSL’s safety critical contractor partners and extends to inspections on their rolling stock. The training of CSL’s own staff in audit techniques has allowed CSL to further extend this program of assurance.

In 2024/25 CSL prepared their submission for re-certification under The Railways and Other Guided Transport Systems (Safety) Regulations 2006 (ROGS). To achieve re-certification CSL as the duty holder must demonstrate that they have an established and effective safety management system that details how CSL manages safety critical work. The ORR approved the submission on 21 February 2025.

CSL also developed a program to further improve situational awareness amongst all staff. An element of this was the development of a dynamic risk assessment process using the Rail Safety & Standards Board’s “G-FORCE” model to further improve point of work health and safety awareness and mitigation of risk.

Priority 2: Serving More Passengers

We want more people to have access to rail services and aim to increase patronage. We are working in close alignment with Network Rail Scotland to:

- Market the benefits of rail travel to encourage more passengers to use our services.
- Improve use of and access to the railway in a way that focusses on journeys that can encourage modal shift from private car to rail.
- Match the timetable to changing patterns of demand, most notably, learning from new travel patterns.

Customer Engagement

SRH have been working with CSL and SRT to ensure that the Group has effective engagements with customers and guests. Part of this work has included the creation of a Guest/Customer engagement strategy which aims to keep guests' engagement at every stage of the booking process to help us to deliver quality experience, nurture customer relationships and encourage ticket bookings in order that we can serve more passengers.

SRT undertook a customer standards project, initially piloted within the hospitality delivery team, to ensure customer standards are aligned to the current customer base. The pilot undertook a full assessment of previous standards, developed new and improved standards and trained all frontline hospitality staff on the new standards. SRT are exploring the potential to rollout this training to all staff.

Following customer complaints in respect to Inverness on-train connectivity, owing to the rural nature of these routes, a pilot scheme was launched on Class 158s to trial Starlink satellite connection onboard services from Inverness.

A significant body of work has taken place to secure the right supplier for the Customer Relations Contact Centre, over the past 3 years, ensuring compliance with ORR regulations, along with being able to provide extensive quality feedback and insights into customer behaviours. The new look Customer Relations Contact Centre was targeted to go live in January 2025. However, owing to challenges faced from the complex contract involved with procuring a new supplier and meeting SRT's business requirements, this target was not met. The expectation is that the new Centre will now go live in 2025/26.

CSL recognises the importance of brand awareness and engaging with potential guests at all stages of the purchasing cycle, especially with such a high proportion of direct bookings and first-time travellers. To this end CSL successfully overhauled its public facing website (building on the overhaul of the booking engine in the previous year) launching a whole new site in early summer 2024. The new website sought to refresh all content, articulate its coverage of Scotland's regions as well as showcase the unique selling points and value add of the Sleeper in a stronger way. This sat alongside the overarching aim of improving access to information for guests. The website has delivered on both fronts with record traffic levels year on year and a significant reduction in the number of social media messages and calls to the Service Centre with queries relating to less complex questions and queries that could be self-served.

At the same time CSL has also sought to grow its social footprint, in particular Instagram and Facebook, to help illustrate the attraction and benefits of the product. A particular success has been

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Instagram with strong engagement levels and significant growth in the number of followers (in excess of 50% year on year) this combined with popular content through its social influencer programme that regularly achieves content with views in the millions.

Refer to the section on Progress Reports and Performance on page 26 for customer satisfaction and other performance measures in 2024/25.

Milestones Delivered

- All SRT hospitality staff trained on new customer standards as of April 2025.
- Starlink pilot trial launched on Class 158s from Inverness.
- CSL new website launched.
- Increase in passenger ratings between 4-5 stars for experience and facilities available at CSL Lounges, with Edinburgh Station Lounge increasing 26% on the previous year and CSL London Euston Station Lounge increasing 6%.
- Increase in passenger ratings for CSL's onboard breakfast catering, with a 9% ratings improvement over the previous year.

Tourism

SRH have been working with CSL and SRT to develop a Tourism Strategy, which fully supports the wider aims of Government. The strategy will be in development in 2025/26.

A Rail and Visitor Economy working group including the SRH Group, Network Rail, VisitScotland and the Scottish Tourism Alliance has been set up to look at wider engagement and collaboration.

SRT developed a new 'Inspiration Hub' on their website, providing customers with a source for things to do, upcoming events, discounts and offers for trips around Scotland. This includes locations to visit, walking routes by train and great scenic train journeys.

SRT ran a number of marketing campaigns including a Buy One Get One Free offer for the re-opening of the Levenmouth line, a Go by Train campaign and a pilot of an international campaign (targeting the French market) in collaboration with VisitScotland.

CSL is a driver of economic growth for Scotland given that the overwhelming majority of its guests are from London and the South East or indeed overseas. In the year 2024/25 the focus has been on tactical activity to encourage forward sales from south of the Border. CSL has undertaken campaigns in its own right (the turn of year campaign generated significant positive return on investment with over £1million in forward sales) and collaborative campaigns south of the border with VisitScotland and other partners such as VisitAberdeenshire. CSL has also sought to engage the overseas inbound tour operators through key events such as VisitScotland Connect and direct interaction with niche tour operators such as Newmarket Holidays who now have a tour series in place with CSL.

CSL has also sought to collaborate with partners such as SRT to encourage exploration around the country when guests visit Scotland with promotion of onward fares and rover tickets.

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Milestones Delivered

- Tourism and Hospitality Industry Leadership Group (THILG) presented to Scottish Government and industry-led strategic forum. Positive feedback received from the group to align and collaborate on core sustainable transport mission and increasing rail patronage.
- Strengthened promotion of SRT and CSL Rover Tickets. SRT international and online Rover sales continued to grow but domestic sales were down, reflecting general trends seen across the Scottish visitor economy.
- Delivered on other tourism initiatives including Cruise Line rail charters, CSL's online souvenir shop and developed partnerships with other organisations to promote rail travel, such as South of Scotland Destination Alliance and Ambassador Theatre Group.

Fares and Ticketing

The Group continues to work closely with Transport Scotland to ensure we develop a long-term strategy and approach to fares policy which supports the aims of Government (including, but not limited to, Fair Fares recommendations). Our plan had been to develop a long-term fares and ticketing strategy by March 2025. As a consequence of the Scottish Government decision to abolish peak fares, the focus of SRH and other parties was to ensure this was delivered smoothly. We are now working with SRT and Transport Scotland to develop a strategy that takes account of government policy and financial sustainability for adoption by the end of 2026.

The Group continues to work collaboratively across the wider transport industry in Scotland to improve integrated ticketing to improve access and connectivity to Scotland's Railways for all passenger groups. In 2024/25 SRT piloted an Account Based Travel (ABT) Tap and Pay scheme, offering customers Pay As You Go travel within a prescribed geography. The trial will continue through 2025 to gather evidence for future decisions.

A draft Partnership Agreement has been developed to strengthen the close working relationship between SRT and CalMac, with respect to integration and connectivity between rail and ferry services in Scotland.

During the year, the Group continued the Scottish Government's Off-Peak All-Day fares trial in partnership with Transport Scotland which had successfully launched October 2023 and ended September 2024. As highlighted in our 2023/24 annual report, 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. Further detail on the evaluation of the Off-Peak All-Day trial can be found in the Final Evaluation Report published by Transport Scotland at <https://www.transport.gov.scot/publication/scotrail-peak-fares-removal-pilot-final-evaluation-report-august-2024/>.

Following the Off-Peak All-Day fares trial exit, SRT introduced Season and Flexipass discounts, providing an extra 20% discount to the cost of all Season Tickets for 12 months from 27 September 2024 and permanently increasing Flexipass journeys to 12 for the same price as a 10 journey pass.

Milestones Delivered

- Continued the Off-Peak all-day trial until September 2024.
- Launched pilot of SRT ABT scheme in January 2025.

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- Worked with Transport Scotland to develop options for SRT fares increase, in line with the growing costs of the railway, resulting in 3.8% increase from April 2025. CSL fares increased by an average of 6.39% in January 2025.
- Supported one-off special events, such as Taylor Swift and the Open Golf Championship, which combined contributed £840k of additional passenger revenue.
- CSL ran a Black Friday sale in November for January and early February departures and delivered a joint campaign with VisitScotland in England to offer a winter travel discount. Both campaigns generated £250k of additional passenger revenue.
- An independent report by Steer revealed SRT's contribution to the whole of Scotland is substantial, indicating a total £4billion economic impact and the support of 11,300 jobs. The report is published at <https://www.scotrail.co.uk/media/54291/download?inline>

Active Travel

The Group continues to work collaboratively with partners in Transport Scotland and across the public sector and rail industry to support and deliver active travel opportunities for passengers both at stations and on train.

Milestones Delivered

- CSL developed their Active Travel Strategy.
- SRT developed a ScotRail in the Community Strategy which encompasses active travel.
- Inverness Cycle Hub delivered.

Car Parking

We have been working on identifying and reviewing improvements to car parking at stations. Our plans for improvement include maximising accessibility of electric vehicle chargers for customers.

Milestones Delivered

- Review and implementation of Electric Vehicle Charging tariff programme in February 2025.

Accessible Travel

We have delivered several accessibility-related projects at stations. This has included the installation of Passenger Assist meeting points at all stations and new ramps to allow for a more seamless customer experience at stations, empowering station staff to carry out passenger assistance confidently. Tactile paving, modern waiting areas and accessible entrances and routes are at the forefront of station redevelopments.

Representatives from the SRH Group, Transport Scotland, and Network Rail continue to develop the accessibility strategy as part of the Railway for Everyone Steering Group.

CSL continues to develop its guest accessibility offering through engagement with passengers who have accessible needs and by improving accessibility at London Euston and Inverness CSL lounges. Accessibility groups have been established to further improve the guest experience.

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CSL's website has received a significant overhaul, improving the user experience for customers with accessibility issues. The software Recite Me was added to the site, adding features such as colour theme options, increased font sizes, and audio options.

Milestones Delivered

- Installed Passenger Assist meeting points at all stations.
- Delivered 'Travel with Confidence' initiative for Leven Line.
- Invested in platform raising at Dunkeld and Birnam, East Kilbride and Hairmyres stations to allow step-free access onto trains and platforms.
- Installed new footbridges at Anniesland, Carstairs, Dumfries, and Uddingston, providing step-free access to platforms.
- Accessibility improvements continue to be monitored and acted upon by the Group and Network Rail.

Community Rail

As outlined in the Community Engagement section on page 8, the Group supports CRPs and station adoption groups. In January 2025, SRH appointed a new Customer Experience & Community Engagement Officer, who has been working with CRPs to build upon the work undertaken by our volunteers. Progress has been made through liaising and providing oversight and guidance to CRPs on future projects and initiatives.

Wider community projects to revitalise and create engaging spaces in and around stations have been completed, such as the redevelopment of Stow Station House into a restaurant and bar and the Camelon Railway Station mural project. A major project is also underway to begin redeveloping an unused space at Blair Atholl Station into affordable housing.

The Group continues to promote knowledge sharing and strengthen its partnerships with charitable and voluntary communities. In 2024/25 SRT provided tickets for Street Soccer Scotland teams to play in the 16th birthday tournament in Glasgow, raised £155k with Network Rail for the 2024 Scottish Poppy Appeal and provided Rail Safety Sessions to over 27,000 pupils. CSL positively engaged over 3,000 children as part of CSL's Rail Safe Friendly initiative in 10 schools and provided 7 tonnes of food to City Harvest's food rescue operation.

Further community engagement work was carried out through our Community Rail Champions, who advocate for and promote the use of train travel as a sustainable alternative to car usage, with some Champions specifically delivering rail safety messaging and practical support across the network.

Milestones Delivered

- Stow Station building regeneration project formally opened.
- Partnership with Beeslack Annex School, Dalmarnock Unity Enterprise, and Sky Up Academy, providing opportunities for young people from varying backgrounds to experience rail travel and learn rail safety and awareness.
- £95k of funding has been provided for our Station Adopters, who now number over 1,000 volunteers, covering over 200 stations, putting in 57,000 volunteer hours.

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- Best Community Engagement Project First Place awarded to Friends of Blair Atholl Station for their intergenerational multimedia project *Mike's Station*.
- £1m of funding earmarked by Network Rail and Railway Heritage Trust, with ScotRail providing management of the contract and engagement, for social housing redevelopment at Blair Atholl.

Priority 3: Better Passenger Experience

We want passengers to have a great experience when they travel with us. We are working in close alignment with Network Rail Scotland to:

- Modernise our train fleet through fleet renewal.
- Improve the maintenance of our fleet to enhance service reliability.
- Change the way we schedule work to enhance service reliability and availability.
- Deliver a robust, high performing and reliable service with competitive journey times, strengthened market-led services and effective connections between cities and regions.

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 account of the reliability and age of the current locomotive fleet.

In 2024/25 SRH continued to develop a fleet strategy in partnership with SRT, CSL, Transport Scotland and Network Rail, to establish an integrated approach to fleet renewal, decarbonisation and depot investment. The strategy seeks 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. The strategy also considers the requirements for the continued operation of the existing fleets.

Development of a fleet strategy has included work with stakeholders in Transport Scotland, Network Rail and within the Group to consider, develop and appraise the whole system options for rolling stock replacement and infrastructure investment. This is aligned with the planned refresh of the Rail Services Decarbonisation Action Plan, which was published by TS in 2019 and is now expected to be refreshed in 2025. The fleet strategy was presented to the SRH Board in August 2025 and we plan to update this on an annual basis.

Governance arrangements for fleet replacement were established in December 2024 within the Group. These recognise the primacy of the Group's Boards, that fleet replacement programmes extend well beyond the current Grant Agreement durations and that funding and phasing of rolling

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stock replacement and infrastructure capital investment are decisions for Scottish Ministers acting through Transport Scotland. These arrangements will be kept under review to evolve these as projects move through the development, procurement and delivery stages of the project lifecycle. As part of this, Gateway Reviews will be used to provide independent review, the first of which was held in April 2025 and actions will be taken during the 2025/26 financial year to address findings from this.

Suburban Fleet

During the 2024/25 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. Procurement documentation was developed to an advanced stage in support of this.

Commencing any formal procurement process is contingent on approval of an Outline Business Case (OBC). This was delivered to Transport Scotland in April 2024 with an Investment Decision Making (IDM) board held in October 2024 and approval was granted via a Grant Agreement variation in July 2025 to commence prior market engagement. A PIN was published in July 2025 to enable this market engagement exercise to be run. The PIN provided an indicative publication date for the Contract Notice of October 2025. In September 2025 the Cabinet Secretary for Transport and First Minister announced that approval had been granted for the partial electrification of the Fife and Borders routes along with a procurement competition for a new fleet of Suburban trains.

Rural Fleet

Initial work on the rural fleet replacement plans will commence in the 2025/26 financial year as a whole industry exercise to develop a Strategic Business Case (SBC) considering a range of rolling stock, service provision and infrastructure options.

Intercity Fleet

Following the development and approval of an OBC for the Aberdeen corridor at IDM in June 2024 an announcement was made by the Cabinet Secretary in September 2024 that a procurement to replace the HST fleet would commence shortly after. A project team was subsequently mobilised, and procurement documents developed, with permission being given (through a Grant Agreement variation) in December 2024 to commence the procurement of a replacement fleet.

The Contract Notice was published in December 2024 requesting a joint offer for the lease of refurbished intercity rolling stock and a supporting Technical Support and Spare Supply Agreement (TSSA). The initial pre-qualification stage concluded in March 2025. Through the 2025/26 financial year the procurement will continue, with the aim of presenting a Final Business Case (FBC) and awarding contracts within the financial year.

CSL Fleet

Work commenced in the 2024/25 year to consider the long-term strategic traction options when the current haulage agreement expires in 2030. A feasibility study was completed to support the delivery of an SBC to Transport Scotland in January 2025. An IDM was held in February 2025, after which approval was granted to issue a PIN to conduct a market engagement exercise which was published in February 2025. Market engagement will continue in 2025/26, with a view to delivering an OBC and commencing a procurement exercise within the financial year.

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Milestones Delivered

- Suburban fleet:
 - OBC delivered in April 2024 and IDM held in October 2024.
 - Grant Agreement variation for market engagement and PIN published in July 2025.
 - Public announcement by Scottish Government in September 2025.
- Contract notice inviting bids to supply SRT with a replacement intercity fleet went live in December 2024.
- PIN for CSL traction options market engagement exercise issued in February 2025.

Progress Reports

The Group uses several measures to track its operational performance against agreed targets. SRH plays a key role in monitoring progress against these targets and works with management to ensure continuous improvement is delivered. Operational reports are currently provided to our sponsor Transport Scotland on a 4-weekly basis, alongside reporting to the Board of SRH. Reviews are ongoing to establish improvements in the information required, including progress reporting and seeking to harmonise reporting across the Group and to the Sponsor.

The performance of the subsidiaries against a selection of these key targets for the 2024/25 year are outlined below.

Patronage

SRT's passenger journeys increased by 4.4% to 84.7 million (2023/24: 81.1 million) against a target of 91.4 million (2023/24: 79.8 million journeys). Wider economic pressures affecting disposable income and consumer confidence, together with the temporary timetable, contributed to SRT's inability to meet its passenger journeys target, however, growth was achieved despite these challenges. CSL's passenger journeys decreased by 3.0% to 296,593 (2023/24: 305,916) against a target of 296,000 (2023/24: 265,417). The decrease in journeys and target was due to coach body cracking that impacted CSL's capacity to operate services and/or planned capacities to all scheduled destinations as outlined in Principle Key Risks and Uncertainties *Operational – rolling stock* on page 44.

Operational Performance

SRT is measured on three different operational performance metrics, which are Scotland's Train Performance Measure ('STPM'), passenger services cancellations ('Cancellations') and passenger carrying capacity ('Capacity'). All three metrics are measured on a rolling 12 month moving annual average ('MAA') basis.

STPM 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 STPM failures caused by blanket speed restrictions imposed due to heavy rain and any trains held for connections. For the year ended 31 March 2025, SRT's STPM MAA was 89.7% (2023/24: 89.9%) against a target of 92.5% (2023/24: 92.5%).

Cancellations MAA was 0.9% (2023/24: 0.9%) and Capacity MAA was 0.7% (2023/24: 0.7%). These measures both remain better than their target of 1.6% (2023/24: 1.6%) and 1.0% (2023/24: 1.0%) respectively.

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During the summer of 2024 fewer drivers than normal were available to work rest days and overtime, and as consequence of this ScotRail had to introduce a temporary timetable. The introduction of this timetable along with other issues such as fleet reliability contributed to a deterioration in STPM MAA performance at this time.

As outlined in the Performance Initiative section on page 28, there is a Joint Performance Improvement Plan between Network Rail and SRT which forms part of the Joint Performance Strategy. This details the initiatives that the Alliance will implement to achieve the trajectory target of 90.7% STPM MAA for 2025/26. It also includes a multi-year plan that focuses on delivering STPM MAA 92.5%. Some of the key initiatives include an increase in driver numbers, which is possible due to the industry leading driver recruitment campaign, which will start to deliver benefits in 2026, together with fleet heavy maintenance programmes taking place this year and fitment of wheel slip protection on the HST fleet and sanding equipment on some of the Class 170s and 158s, which will bring further benefits in the Autumn.

In addition to this, Transport Scotland requested a Root and Branch review to be carried out on the causes of poor STPM MAA performance and Network Rail and SRT have developed a further suite of initiatives in response, looking at improving the fundamental way in which performance is managed on a daily basis.

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, on a rolling 12 month moving annual average ('MAA') basis.

For the year ended 31 March 2025, CSL's Right Time Performance was 87.8% (2023/24: 86.0% restated) against a target of 80% (2023/24: 80%).

Customer Satisfaction

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

During the year, SRT averaged 90% (2023/24: 89%) against a target of 91% (2023/24: 90%). Customer complaints were 22.5 (2023/24: 22) per 100,000 journeys, against a target of 21.4 (2023/24: 27.7). The temporary timetable impacted the number of train services operated each day and SRT's capacity to meet customer expectations, however with the pay deal agreed on 7 October 2024 and the full timetable restored, SRT achieved above target customer satisfaction levels of 93% in the final quarter.

During the year, CSL delivered MAA for Guest Satisfaction of 3 stars and above for overall journey experience of 88% (2023/24: 87%) against a target of 85% (2023/24: 85%). The MAA for complaints per 100 guests at the end of the year was 0.23 (2023/24: 0.3) against a target of 0.35 (2023/24: 0.35).

Milestones Delivered

- Major timetable improvements delivered by SRT in Ayrshire, Inverclyde, and Fife during 2024 growing passenger demand and revenue more quickly than the ScotRail average.
- SRT introduced rail services to Levenmouth for the first time since 1969.
- Several key initiatives contributed to CSL's scores, including menu redesigns and comprehensive galley overhauls, both of which improved the on-board experience for guests. Continuous

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monitoring through Voice of The Guest (VOTG) responses ensured real-time feedback was acted on quickly, helping to drive ongoing improvements.

Performance Initiatives

SRT and Network Rail are taking steps to address improving performance over the remainder of Control Period 7 (being 1 April 2024 to 31 March 2029).

SRT and Network Rail produce a Joint Performance Strategy (JPS) each year to ensure a whole system approach to performance improvement. This strategic vision for performance holds all deliverable departments to account for their role in performance delivery and outlines key milestones for Scotland's Railway for year 2025/26. The document this year contains details of all the performance improvement initiatives by department, along with estimated Scotland Train Performance Measure fails (STPMf) savings and timescales for when they will begin to make savings. STPMf is the measure that is used by SRT and Network Rail to count the number of trains that have failed to meet STPM each period and a reason is allocated to each one. Some of the key initiatives are outlined in Operational Performance on page 26.

SRT and Network Rail are also working on a joint multi-year plan that focusses on all delivery departmental roles in recovering STPM MAA to 92.5%. The joint plan will align recovery with the glidepath to achieving the 92.5% performance target.

Station Initiatives

SRT has an ongoing commitment to ticket office modernisation together with service quality continuous improvements at stations and on train.

In 2024/25 service quality for both stations and on train continued to out-perform. While a review of station opening hours and staff availability was underway earlier in 2024/25, filling of vacant posts was paused. This temporarily contributed to a reduction of station toilet availability, station staff presence and ticket office availability at some stations. With the implementation of new ticket office opening hours from 31 March 2025, and improved staff availability, we are confident that performance in these areas will improve significantly.

Work is progressing towards achieving a paperless ticket office by using technology to support the removal of all paper-based activity and record keeping at ticket offices and transfer to digital only. Office functions will be paperless, although paper tickets will still be available for passengers.

Milestones Delivered

- Paperless ticket office trial commenced in first 25 stations in Q1 2024/25.

Lounge Strategies

Building on the success of its flagship dedicated Sleeper lounge at London Euston, CSL developed a long term Lounge Strategy. This followed a review which concluded that the lounge estate should be located at its main departure and arrival stations. These locations can positively impact the largest number of its guests' journeys, ensure inclusivity, and deliver best value for the taxpayer.

As part of that strategic review the decision was made to close intermediate lounges at Perth, Dundee and Leuchars which did not align with the strategy, and which all had extremely low levels

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of footfall and therefore represented poor value for money for the taxpayer. The lounge closures were completed following a full staff consultation in February 2025.

Further steps to implement the CSL Lounge Strategy will be progressed in 2025/26 under the agreed Business Plan Commitments.

Milestones Delivered

- Guest Lounge Strategy approved.
- An addendum to the previously approved Business Case for a dedicated Sleeper Lounge at Glasgow Central is currently being considered.

Priority 4: Collaborative Relationships and Highly Engaged People

Our people are what enable the Group to deliver robust stewardship of passenger rail services in Scotland. We need highly engaged people to deliver our ambitious plans. Our people will continue to be at the centre of our decision making, as we continue to challenge and collaborate in bringing our vision to life. Our key priorities are:

- Inclusion of all and a transformational agenda.
- Attract, retain and develop our people.
- Continue to foster close working relationships with rail trade unions, our partner organisations in Scotland's Railway and in the wider UK rail industry organisations.
- Enable our people to contribute and thrive.
- Champion the wellbeing of our people.
- Engage our people to shape our future.

Business Development

SRH is reviewing and refining its organisational structure, and additional resource requirements, to best address both current and future challenges and to ensure we meet the requirements of the Framework Agreement. This work continued throughout 2024/25 in close collaboration with Transport Scotland and considered how we best work together to deliver SRH's strategic and business objectives. The Organisational Design work also takes account of Public Service Reform and seeks opportunities to reallocate existing resource across Scotland's Railway rather than recruit new resource. This retains existing knowledge while increasing efficiency.

Economic Impact Assessments

Both SRT and CSL have commissioned Economic Impact analysis, which supports the work of the Group in advocating for the railway in Scotland and government decision making around future investment. The study commissioned by SRT was in conjunction with Network Rail and Transport Scotland, with Phase 2 to commence shortly. CSL has commissioned its own Phase 1 study with the Fraser of Allander Institute and they are in discussion with Network Rail to align with the wider Phase 2 study. The effect of this will be for a full economic appraisal for all publicly funded elements of the railway in Scotland.

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Business Development Initiatives

During 2024/25 SRT and CSL implemented several business development initiatives to grow patronage and protect revenue. These included but were not limited to fares proposals, such as continuation of Peak Fares trial and Season/Flexipass 20% off; launch of ABT trial; daily and special events revenue protection initiatives; domestic and international marketing campaigns, lounge strategies and the CSL online souvenir shop. More detail on business development initiatives are outlined in the following sections:

- Priority 2: Serving More Passengers on page 19.
- Priority 3: Better Passenger Experience on page 24.
- Priority 6: Finances - Revenue Protection and Growing Revenue on page 33.

People and Culture Strategy and Initiatives

The SRH People Strategy development was completed and made available in Q4 2024/25 providing a 5-year strategic People Plan and key priorities for 2025/26. Within the 2025/26 plan there is significant focus on an SRH Future Fit programme supporting the development of people policy, processes and robust systems within the organisation. The 5-year plan includes the development of Group people principles, demonstrating a commitment to aligning and developing further the Group people initiatives all of which relate fully to the Scottish Government Fair Work First principles.

SRT and CSL are expected to develop People Strategies in 2025/26. Throughout 2024/25 there were significant people initiatives delivered by SRT and CSL, including:

- Recruitment review - providing an improvement plan and delivery of enhanced management inclusive recruitment training.
- Modernisation and streamlining of recruitment assessments.
- Top Employer accreditation.
- Increased and enhanced early careers programme.
- Equality and diversity programmes and initiatives supporting Women in Leadership workshops, dedicated female recruitment campaigns and mental health partnerships such as Andy's Man Club.
- Successful Equality forum launch delivering initiatives in partnership with local trade unions - "Racism Red Card Day".
- Investment in new people rostering systems and tools.
- Enhanced people development programmes such as LEAD and GROW, supporting future succession planning.

Milestones Delivered

- SRH People Strategy development completed Q4 2024/25.
- SRT and CSL delivered significant people initiatives.
- In February 2025, SRH successfully recruited a new Chair of the SRH Board upon expiry of the outgoing Chair's fixed term appointment. Professor Iain Docherty is Dean of the Institute for Advanced Studies and Professor of Public Policy and Governance at the University of Stirling. He has worked with a range of private sector, governmental and other organisations on transport, economic development and related issues across the UK, Europe, North America and Australia,

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including the European Commission and the Organisation for Economic Co-operation and Development and has a wealth of experience in transport.

- SRH worked with Transport Scotland to expedite and complete staff recruitment to fill vacant posts.

Business Transition Programme

CSL continued to invest in developing its teams and internal systems to allow the elimination of reliance on outsourced shared services. This work will continue through 2025/26.

The year ending March 2025 marked a significant milestone in CSL's business transition programme, with the successful implementation of its core Enterprise Resource Planning (ERP) systems for HR and finance in early April. In addition, the operational setup for payroll was completed, enabling in-house payroll processing from April onwards.

Milestones Delivered

- The programme has successfully met its core objective of ensuring that CSL has suitable standalone arrangements in place to meet its future business needs and to remove the dependency on Serco shared services prior to the expiry of the transitional contract arrangements.

Priority 5: Better Environment

The rate at which Scotland's climate is changing is unprecedented. As a result, government, organisations and society are taking action to prepare for anticipated future climate changes through adaptation and to lessen the primary cause of climate change by cutting greenhouse gas emissions.

SRH recognises the powerful role that the railway plays in supporting the delivery of a zero carbon, climate-ready Scotland. We are working in close alignment with Network Rail Scotland, SRT and CSL to:

- Reduce the carbon emissions of our rolling stock operations noting that 65% of the current fleet needs to be replaced or life extended over the next 10 years. Refer also to the Fleet Strategy section on page 24.
- Develop strategies and environmental performance targets which will improve the energy efficiency of our operation and move the railway towards net-zero.
- Develop adaption and mitigation strategies and workstreams in relation to Climate Change by working with our railway partners and other public bodies.

Key progress made under this priority outcome is summarised below.

Environmental matters are also covered in further detail in the Environmental and Social Matters section starting on page 47.

Environmental, Social and Governance (ESG) and Climate Action Strategies

SRH Environmental Performance and Climate Action Strategy

SRH have committed to and commenced the development of a 5-year Environmental Performance and Climate Action Strategy for SRH Ltd. This strategy will define SRH's role, ambition and commitments to environmental performance and climate action across the wider rail sector.

The strategy will develop an environmental performance and climate action vision for SRH aligned with SRH's strategic business plan, associated objectives, key performance indicators and short, medium and long-term actions. Once implemented, will represent a significant step forward in SRH's contribution to addressing environmental performance and climate action, as well as contribute to the decarbonisation of rail in Scotland.

SRT and CSL's ESG and Climate Action Strategies

CSL have approved an Environmental, Sustainability & Social Governance strategy. Alongside this, CSL have developed a comprehensive Environmental Management Plan which will deliver the objectives set out in their strategy. The strategy and management plan will be reviewed by CSL annually to benchmark progress, with oversight through the SHEC and SRH.

SRT have, as part of Scotland's Railway Partnership, developed with Network Rail a joint Climate Action Plan which will be delivered over the next 5 years (2024 – 2029). The Climate Action Plan covers 5 priority areas:

- Climate Ready: Ensuring that the railway is robust, and resilient against current and future changes in climate.
- Net Zero: Reducing the level and minimising the Greenhouse Gas emissions from the railway.
- Environmental Management: Minimising the impacts of noise, waste and air pollution associated with the railway.
- Biodiversity: Support biodiversity and conservation within the railway network.
- Social Value: Actively promote and manage the social benefits of rail.

Milestones Delivered

- Commencement of work by SRH to develop an SRH Environmental Performance & Climate Action Strategy.
- CSL ESG strategy approved by SHEC in May 2025.
- CSL Environmental Management Plan approved by SHEC in May 2025.
- SRT & Network Rail Climate Action Plan approved.
- Climate Action Plan Board and Steering Group redeveloped as part of the new Climate Action Plan.

Environmental Targets and Data Collection

We have developed a prioritised list of SRH Scope 3 emissions for baselining across 2025/26. Two specific Scope 3 emissions will be taken forward initially for baselining, these being:

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- Business Travel; and
- Commuting and home working for SRH Staff & Contractors.

Following this data collection and baselining exercise, SRH will establish if it's appropriate for emissions targets to be set in these areas.

It is the intention that as SRH company's strategy matures further Scope 3 emissions categories will be baselined and reported to provide a fuller picture of SRH company's Scope 3 emissions.

SRT record and report on a range of Scope 1, 2, and 3 emissions in relation to their environmental performance. This performance is assessed externally through the Annual Carbon Performance report. This year's reporting shows an increase in diesel carbon emissions; however, this can be attributed to an increase in rail services being run and the opening of the Levenmouth line. The increase seen for diesel usage does not materially affect the overall tonnes of carbon emissions and SRT will still be on target for an overall reduction against the 2019/20 carbon emission benchmark.

Across 2024/25 CSL started the process of baselining their Scope 1, 2 and 3 emissions. CSL are now tracking their Scope 1 (direct activities) and Scope 2 (such as the purchase of electricity to run trains south of the border) emissions. Due to the fixed nature of CSL's Scope 1 and 2 emissions they have set a KPI based on maintaining or improving their emissions score. Through 2025/26 CSL will be developing their understanding of their Scope 3 emissions and baselining in relation to their supply chain.

Milestones Delivered

- The Group has worked with Network Rail to ensure the benefits of their electrification of lines are fully realised by collaborating on the development of a whole rail system outline business case to replace the oldest diesel and electric suburban trains, and it was announced that procurement to replace SRT's HST intercity trains had started. See Fleet Strategy on page 24.
- New zero-emission Glasgow stations link buses removed 40,000km of diesel bus operation from Glasgow city centre. Passenger use increased 50 per cent to 91,000 journeys.
- As part of SRT's Digital Twin work: Feasibility assessments were completed for solar power, battery storage and heat source pumps for the largest energy consuming stations and depots.
- CSL are now tracking their Scope 1 and 2 emissions.
- SRH company have identified the organisation's Scope Emissions Boundary and the Scope 3 emissions to be baselined.

Priority 6: Finances

Growing our revenue and managing our costs is critical to ensuring that the level of subsidy provided by the Scottish Government remains affordable and provides value to the Scottish taxpayer. Our key objectives are to:

- Implement local revenue protection initiatives informed by route cost and revenue analysis, and reduce ticketless travel to the lowest practical level to ensure that everyone who uses the service pays the appropriate fare.

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- Identify, develop and deliver initiatives to support revenue growth.
- Continuously look at our costs to ensure we provide an efficient and affordable service.

Key progress made under this priority outcome is summarised below.

A detailed analysis of the Group Financial Performance for 2024/25 is covered in the Financial Performance section on page 39 and in the Financial Statements on pages 82 to 118.

Revenue Protection

We aim to protect our revenue through local revenue protection initiatives and reducing ticketless travel. Our local revenue protection initiatives are informed by route cost and revenue analysis. We aim to reduce ticketless travel to ensure that everyone who uses the service pays the appropriate fare.

The revenue protection initiatives applied (e.g. manual barriers, increased ticket examiners and protecting revenue at Special Events) increases collected revenue and helps to reduce the amount of ticketless travel across the network.

SRT, in particular, have a bespoke revenue protection strategy underpinned by a physical and digital control room that creates intelligent data to robustly monitor and improve revenue protection, yield, staff equipment, and personal performance.

Furthermore, SRT have recruited additional staff and now have 37 dedicated Travel Safe Officers and 42 dedicated Revenue Protection Officers and increased Ticket Examiners.

Ticketless travel in CSL is mitigated by the pre-booking system in place for CSL travel, with over 90% of ticket sales booked in advance through CSL's own channels online or via telesales.

Milestones Delivered

- The 2024 independent Ticketless travel survey on SRT services result was 3.97%. The rate of ticketless travel has decreased since the previous surveys in 2023 of 5.55% and 8.8% in 2022.
- Double staffing of all Balloch services after 19:00 hours and specific South Clyde services Thursday to Sunday.
- On-train digital ticket scans increased from 17.3m in 2023/24 to 25.1m in 2024/25. This increase is supporting the reduction of ticketless travel and is continuing to drive down refund fraud.
- Percentage of tickets retailed at major station gate lines decreased from 5.0% in 2023/24 to 3.9% in 2024/25. This reduces the opportunity for passengers to claim short journeying (i.e. last stop before the gated station).
- Ticket examiner coverage increased from 95% in 2023/24 to 99% in 2024/25.
- Manual revenue protection barriers across 34 locations (e.g. Edinburgh Waverley, High St., Partick stations) brought in revenue of over £1.1m.
- Targeted revenue protection exercises at Special Events (including Taylor Swift, Open Golf, International Football and Rugby matches) brought in revenue of over £2.5m.

- Overall revenue protection initiatives (including manual barriers and Special Events as above), for example Short Hop Refund Reductions, increased ticket examiners and BAU activities brought in revenue of over £6.3m.

Growing Revenue

During the financial year, the following key revenue growth initiatives were undertaken and are summarised below:

- The introduction of Seasons and Flexipass discounts which brought an 11% increase in new commuters.
- SRT marketing activity generated £12.2m of incremental passenger revenue from a spend of £5.2m; a return on investment of 2.35 to 1.
- Changes to Schedule 17 Ticket Office opening times allows staff to be redeployed to revenue protection duties and is anticipated to deliver an additional £3.8m revenue in 2025/26 as staff become more flexible on the network to enable them to carry out revenue protection duties at other stations.
- CSL developed and launched an online souvenir shop retailing gifts including toys, mugs, blankets and umbrellas.
- CSL ran a Black Friday related sale in November for January and early February departures, and did a joint campaign with VisitScotland in England which offered a discount for winter travel. These campaigns combined generated in excess of £250k in sales.

SRT are also committed to the implementation of a Commercial Data Strategy, which will support the business-wide focus of developing a more effective data-driven culture and aim to contribute to management and operational efficiencies and resultant demand and revenue growth.

More detail on revenue growth initiatives is outlined in the following sections:

- Priority 2: Serving More Passengers on page 19.
- Priority 3: Better Passenger Experience on page 24.
- Priority 4: Business Development Initiatives on page 29.

Managing Costs

We continuously review our costs to ensure we continue to provide an efficient, affordable and reliable rail service. Examples of efficiencies delivered during the year include:

- CSL Business Transition Programme: CSL's new in-house back-office functions and systems, generating efficiencies and cost savings, as outlined in the Business Transition Programme section on page 31.
- CSL Lounge Strategy: Operational efficiencies and cost savings through the closure of CSL intermediate lounges at Perth, Dundee and Leuchars as outlined in the Lounge Strategies section on page 29.
- Removal of Obsolete Equipment: CSL identified and delivered an opportunity to remove 40 obsolete station information points, generating £140k of annualised cost savings.

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- Schedule 17: As noted per the revenue protection initiatives above, changes to Schedule 17 ticket office opening times is expected to grow revenue in 2025/26, while maximising the efficient use of existing resources.
- Utilities Contract: SRT joined the Crown Commercial Service utilities framework from 1 April 2024, which drove the majority of SRT's c£2.7m utility cost savings during the year.
- Electric Vehicle (EV) Charging Income: Implementation of an EV charging tariff programme, on breakeven basis, to recover the cost of providing this service.
- Pay Award Efficiencies: The 2024/25 CSL and SRT pay awards included a range of initiatives and efficiencies to ensure affordability in the context of the Public Sector Pay Policy and the Group's funding allocation.
- Best Value Framework: The Board has approved plans to implement the Group's Best Value Framework to ensure delivery against the Best Value duty and secure continuous improvement in the performance of the Group's objectives, as outlined in the Best Value Framework section on page 37.

The Group gives due consideration to any potential impact of cost saving opportunities on passengers before implementation to ensure service levels and performance are not unnecessarily impacted.

Priority 7: Robust Corporate Governance

Robust corporate governance is the foundation to success in any business. It refers to processes, practices, policies and procedures used to make formal decisions to run the Group. Our aim is to ensure that these principles underline everything that we do. The Boards of SRH, SRT and CSL regularly review our arrangements to ensure that we comply with best practice.

Key progress made under this priority outcome is summarised below.

Governance and Risk matters are covered in further detail in the following sections:

- Governance - Review of Effectiveness section on page 61.
- Risk - Principal Key Risk and Uncertainties section on page 43.

Alliancing

SRH has supported the strengthening of the Alliance, including updating the Alliance Agreement in October 2024. SRH has endorsed a set of principles and is collaborating with Network Rail Scotland, SRT, and Transport Scotland to review, update, and strengthen the Alliance. This has resulted in several meaningful joint initiatives between the Group and Network Rail including timetabling, delay attribution and capital planning. In addition, SRH senior management and non-executive directors have participated in several governance workshops which relate to development of the Alliance model in the context of corporate governance, Rail Reform and Public Service Reform. This governance work also seeks to streamline the governance of the Group and oversight from the Sponsor. An Alliancing (and whole industry approach) strategy has been included as a deliverable in the SRH 2025/26 Business Plan.

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Network Rail and SRT have developed consolidated financial reporting to help better understand the revenue and costs of Scotland's Railway.

Milestones Delivered

- Updated Alliance Agreement between SRT and Network Rail Scotland was signed in October 2024.
- SRH CEO appointed Lead Executive for the Alliance Agreement.

SRH Strategy 2025-2030

The SRH five-year strategic plan is reviewed and refreshed annually. In January 2025 an updated strategic and business plan was submitted to our sponsor, Transport Scotland. Strategic objectives and underpinning policies to be developed have been identified and included within the plans, which will support SRH Future Fit, delivery of Policy Compendium requirements, and support key Scottish Government outcomes.

Milestones Delivered

- In March 2025, Transport Scotland and Scottish Ministers approved the refreshed SRH strategic plan. This has been published and a copy available per the following link <https://railholdings.scot/latest/srh-strategic-plan/>.

Best Value Framework

The SRH CEO as Accountable Officer has a specific responsibility to ensure that arrangements have been made to secure Best Value which includes ensuring good corporate governance, effective performance management and continuous improvement. Best Value is designed to provide the building blocks on which to deliver good outcomes by ensuring that they are delivered in a manner which is economic, efficient, sustainable and supportive of continuous improvement. It also provides a common framework for continuous improvement across public services in Scotland.

Although until recently the Group had not formalised its approach to best value, the Group's 2025/26 business plans include a wide range of relevant initiatives and planned actions intended to support continuous improvement and the efficient delivery of passenger rail services.

Milestones Delivered

- Although approved business plans included a wide range of relevant initiatives and planned actions intended to support continuous improvement, it was recognised that the Group had not formalised its approach to Best Value. Therefore, in May 2025 the SRH Board approved plans for the preparation, and subsequent implementation, of an enhanced and more formalised framework for delivering against SRH's duty to deliver Best Value. This included plans for SRH to complete a formal baseline self-assessment of its current arrangements against the 7 Best Value Themes using toolkits prepared by Audit Scotland.

Risk Management Review against Scottish Public Finance Manual

SRH recently adopted a Risk Management Strategy which sets out SRH's vision for risk management and which provides a framework to ensure that across the organisation, we manage

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risk in a consistent manner. The strategy sets out how we identify, assess and manage the risks we face in providing high quality, safe, reliable and sustainable rail services and delivering against our strategic and operational priorities.

The SRH Risk Management Strategy is intended to support and inform decision making and to contribute to the achievement of SRH's strategic objectives and the delivery of planned outcomes. It does this by providing a systematic approach to the identification, assessment and management of the risks the organisation faces, and the actions required to manage these risks.

In preparing both the strategy and the associated risk appetite statement reference has been made to expectations contained within the Scottish Public Finance Manual and best practice guidance on risk issued by the Government Finance Function ('the Orange Book').

Milestones Delivered

- Approval of Risk Management Strategy and Risk Appetite Statement by SRH Board in April 2025.

Planned and Unplanned Disruption – Daily Operational

Both SRT and CSL are subject to obligations to manage planned and unplanned disruption to their daily operations in their respective Grant Agreement and have procedures and processes in place to do so. Their performance in that regard is reported to SRH on a period basis.

CSL redesigned its approach to managing planned and unplanned disruption and launched this in September 2024 incorporating new procedures, documents and training to ensure a consistent approach with how disruption is managed.

Milestones Delivered

- CSL disruption management strategy launched September 2024

Major Disruption Events

SRT and CSL have business resilience plans and procedures in place to address anticipated major disruption events.

SRH is developing its business resilience position.

It is accepted that further work is required on this area, specifically on developing a co-ordinated Group approach and on exercising and testing plans.

Cyber Resilience

The Group recognises the importance of information and data management and the need for robust cyber security. Across the Group, we have continued to enhance and embed continual improvements to align with best practice.

Steps have been taken following an internal cyber security assessment to strengthen systems, policies and procedures and embed appropriate culture and behaviours. This has included training, testing and contingency planning.

Cyber security is a standing item on all three Group companies' board agendas, with additional presentations and reports presented during the year.

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Milestones Delivered

- SRH achieving Cyber Essentials accreditation.
- SRT implementation of extended and managed detection and response services.
- SRT added extra layers of security during rollout of mobile devices.
- CSL IT migration from Serco.

Financial Performance

SRH is the vehicle through which the Scottish Government funds Scottish passenger rail operations. The only receipts SRH received during the year were funding from the Scottish Government and £1k in respect to trademark licence income. Apart from SRH's modest administrative expenses, all of the Scottish Government funding flowed to SRT and CSL.

The Group's reported financial performance for the year ended 31 March 2025 shows net expenditure after interest and taxation of £821.3m (2023/24: £784.3m). The net increase in expenditure primarily reflects the inclusion of a full year of operating results of CSL (as compared to 9 months in the prior year), together with increases in passenger revenue offset by increases in staff and other operating expenditure as detailed below.

Passenger revenue increased to £395.0m (2023/24: £351.4m). The overall growth in revenue in SRT resulted from the continuing trend of increasing patronage, marketing initiatives, 8.7% fares increase from April 2024 and incremental revenue protection benefits. CSL's revenue growth was largely driven by pricing adjustments, which successfully offset the decline in passenger journeys as a result of coach cracking and corresponding reduction in coach availability.

Other income decreased to £22.3m (2024: £36.5m), primarily as a result of a decrease in third-party capital grant income for SRT fixed asset projects. In 2024/25 these projects included leasehold improvements to Stirling, East Kilbride and Ayr stations and works relating to the rolling stock fleet.

Key drivers of the increase in other operating expenditure to £871.1m (2023/24: £835.5m) were increased Network Rail charges and decreased compensation receipts, higher energy prices, increased train maintenance as the fleet ages and additional costs arising on the locomotive hire contract, which is annually indexed for inflation. While Network Rail Fixed Track Access Charges (FTAC) increased in accordance with Control Period 7 published rates adjusted for inflation, the increase was offset by efficiencies in Network Rail, resulting in reduced costs and therefore reduced charges in the current year. Compensation receipts were lower due to the change of rates for Control Period 7. Increases in energy prices had a net negative impact on the cost of Electric Current For Traction (EC4T) for the fleet, however this was partially offset by a decrease in diesel fuel costs as a result of electrifying more lines.

Grant in Aid received from the Scottish government during the year was £827.4m (2023/24: £745.7m) and is shown as a cash inflow on the Statement of Cash Flows on page 84.

We have achieved sustained revenue and patronage growth despite the continued challenges faced through extreme weather and changing travel patterns. We continue to review our costs to ensure we provide an efficient, affordable and reliable rail service. The Outturn Analysis table below shows the actual 2024/25 result compared to the budget allocation letters for that year.

Outturn Analysis

The Outturn Analysis is presented on a Group basis.

Budget Classification	Actual Outturn	Original Budget Allocation	Final Budget Allocation	Variance to Original under/(over) spend	Variance to Final under/(over) spend
	2024/25 £000	2024/25 £000	2024/25 £000	2024/25 £000	2024/25 £000
Resource (RDEL)	345,703	333,751	342,544	(11,952)	(3,159)
Capital (CDEL)	571,618	534,271	577,102	(37,347)	5,484
Non-Cash (RfDEL)	117,861	124,264	118,753	6,403	892
Resource AME Costs (RAME)	1,871	540	2,934	(1,331)	1,063
Capital AME (CAME)	215	-	-	(215)	(215)
Total	1,037,268	992,826	1,041,333	(44,442)	4,065

CDEL includes third party capital grant income of £2.8m offset by £2.8m in expenditure. AME includes £1.9m of depreciation relating to assets funded by third party capital grant income.

Overall, the Group operated within the agreed final budget allocation despite a challenging cost environment. Highlights of the year were:

- Resource Department Expenditure Limit (RDEL), being the net expenditure associated with the day-to-day running of the group, excluding capital and depreciation, was £12.0m higher than the original budget allocation. This was primarily driven by the temporary timetable in place from periods four to seven driving lower passenger revenue than budgeted, and wider economic pressures in the last quarter such as higher inflation and household bills affecting how much people are willing to spend on leisure and travel. The pressure against the original budget allocation has been managed with our Sponsor and despite the residual £3.2m RDEL pressure the Group has operated within the overall final budget allocation.
- Capital Departmental Expenditure Limit (CDEL) relates to capital projects and Network Rail FTAC. CDEL spend was £37.3m higher than original budget allocation driven mainly by fleet extensions, as detailed in Note 16 Leases on page 116. This has been covered for in full in the final budget allocation.
- Non-cash Ring-Fenced Departmental Expenditure Limit (RfDEL) spend related to depreciation of capitalised assets which was adverse due to the IFRS 16 depreciation requirement for the lease extensions noted above. This was covered in full in the final budget allocation.
- Resource Annually Managed Expenditure (RAME), which related to other technical accounting adjustments, met the final funding allocation.
- Capital Annually Managed Expenditure (CAME) relates to lease accounting adjustments on IFRS 16 Right-of-use (ROU) assets. This was not considered in the budget allocation; therefore, the allocation was nil for this budget segment.

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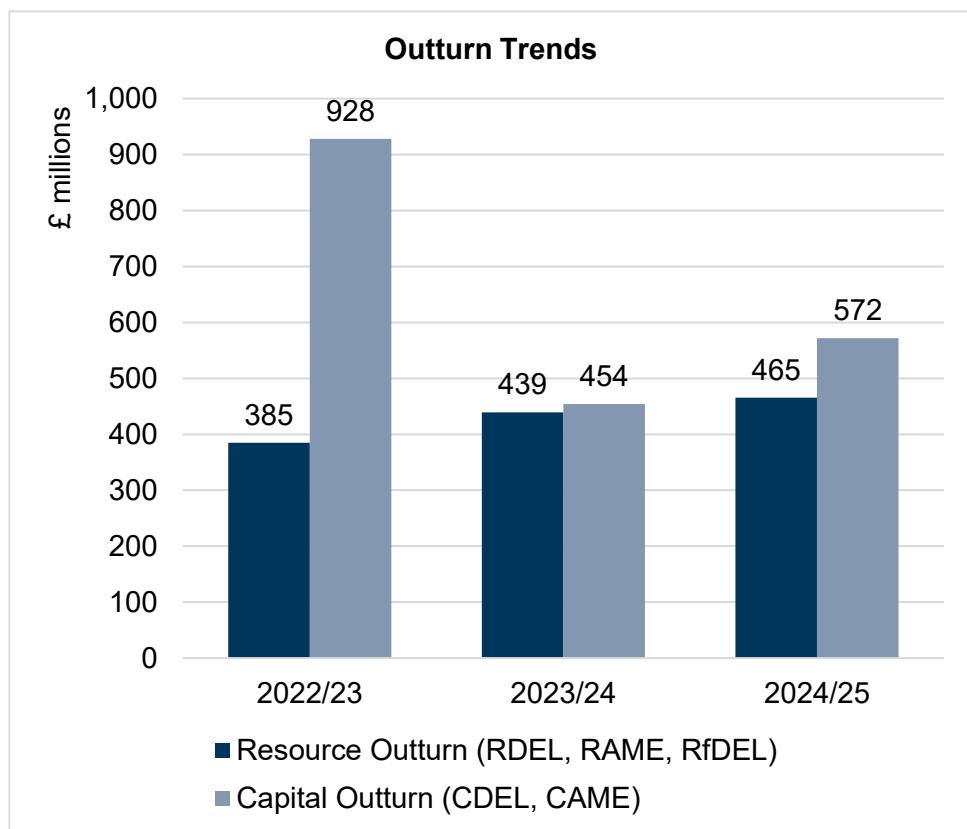
Summary budget to accounts reconciliation

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

	2024/25 £000
Net Operating Costs from SoCNE	821,299
Add: Additions to Plant, Property & Equipment (Note 7)	9,139
Add: Additions to Intangible Assets (Note 8)	1,893
Add: Additions to Right of Use Assets (Note 16)	204,806
Add: Adjustments for assets funded by third party capital grant income	131
Outturn	1,037,268

Trend Analysis

A comparison of resource and capital outturn in 2024/25 to recent years is shown in the graph below, with 2024/25 values corresponding to the Outturn analysis presented above.

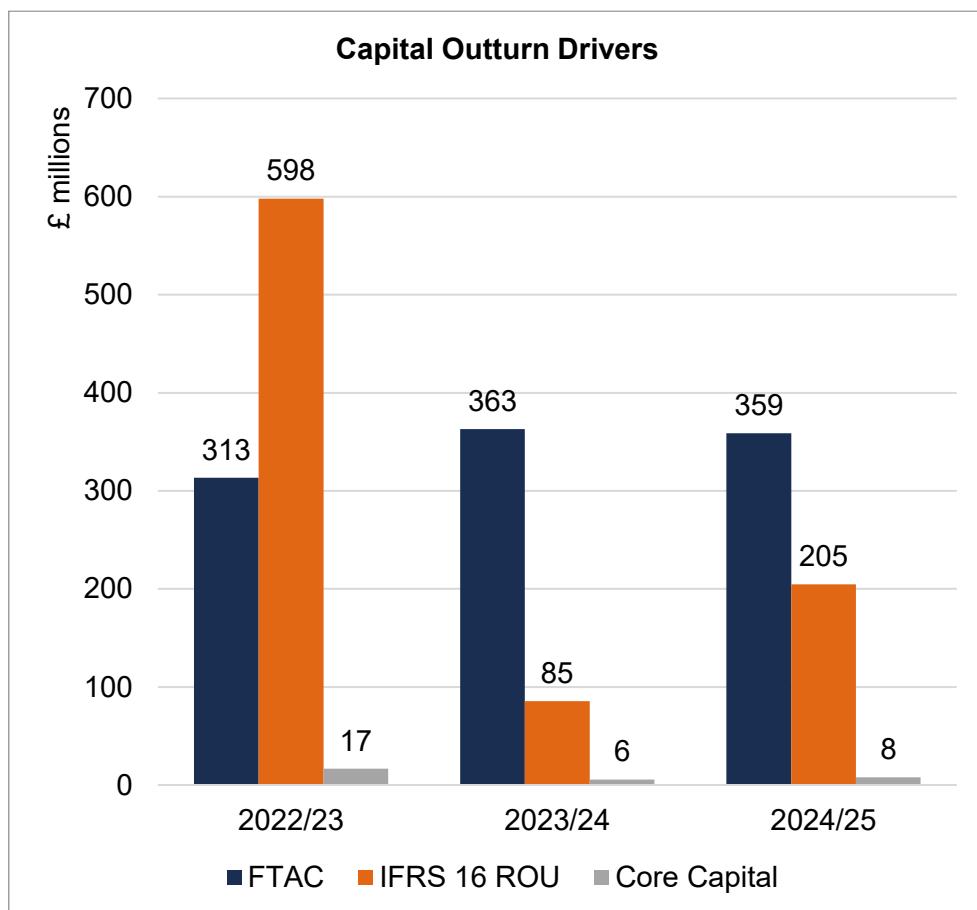


Annual Group resource spend has increased in recent years due to year on year inflationary and staff cost rises, offset by sustained passenger revenue growth.

The key driver of fluctuations in capital spend relates to leases capitalised under IFRS 16. Capital spend in 2022/23 was significantly higher due to the balance of leases capitalised upon implementation of IFRS 16. In 2024/25, spend is higher than the previous year because of IFRS16

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additions within rolling stock relating to the extension of the Class 385 and HST fleets. It is noted that the 2022/23 year was the first year the Group was established and had a long accounting period from 1 November 2021 to 31 March 2023. FTAC has continued to increase in accordance with published rates adjusted for inflation, however, as noted previously, in 2024/25 the increase was offset by efficiencies in Network Rail, resulting in reduced costs and therefore reduced charges in the current year. The graph below shows the key capital components.



Statement of Financial Position Analysis

At 31 March 2025 the Group had net liabilities of £27.8m (2023/24: net liabilities £33.3m). The net liabilities position reflects the timing between accrual of liabilities and the receipt of Grant in Aid to settle debts as and when they fall due.

Cash Balance

The Group had a cash balance of £70.2m at 31 March 2025 (2023/24: £63.8m). This balance principally comprises Grant in Aid funding received by the Group from Transport Scotland to fund the next 4 weeks of operational activity, paid in accordance with the Framework and Grant Agreements.

More detailed financial analysis can be found in the Accounts and the Notes to the Accounts on pages 82 to 118.

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 that continuous improvements are needed to the processes used to identify and manage risks to the delivery of the organisation's key objectives, business plans and targets. During 2024/25 this work included the development of a formal Risk Management Strategy and associated Risk Appetite Statement, and further improvements in arrangements for reviewing, managing, and reporting on risks.

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. Going forward we expect to see a particular focus on risks where the assessed residual risk is above the risk tolerance suggested by the SRH Group Risk Appetite Statement, approved by the Board in April 2025.

Strategic / Governance

We recognise that our governance arrangements continue to develop but 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. There also continues to be significant uncertainty about the impact on the governance of Scotland's Railways that legislation to set up Great British Railways may have.

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 Transport Scotland. SRH has also approved a new Strategic Plan covering the period 2024-2029 and has an associated 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 during 2024/25, including a new CEO, a new Finance Director and a new General Counsel. Additional staffing needs have been identified and are being actively progressed.

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

Transport Scotland are leading on work to ensure that the legislation setting up Great British Railways is consistent with the Scottish Government's National Transport Strategy and objectives.

Financial

A range of factors including 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 Transport Scotland 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 Transport Scotland. 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. Procurement activity is currently being progressed with a view to seeking an interim replacement for the current HST Inter-City fleet, suburban fleet and to secure locomotives for CSL's operations post-2030. More details are available under the Fleet Strategy section on page 24.

CSL's operational and financial performance in 2024/25 was impacted by the need to withdraw coaches due to a design defect that has resulted in some car body cracking. This impacted CSL's capacity to operate services and/or planned capacities to all planned destinations. The remaining coaches were subject to an ongoing inspection regime to ensure they are unaffected. The main mitigation to this risk was ongoing work with the manufacturer to design and implement an appropriate interim solution, which has now been finalised and which has allowed affected coaches to be safely reintroduced into service while a permanent design solution is developed for the full fleet. In addition to the interim solution, CSL are working with its train manufacturer to identify additional mitigations, including non-destructive testing and secondary retention. All of these measures are being put in place to ensure we control the risk to as low as reasonably practicable.

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 to the successful delivery of planned outcomes 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, 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 2024/25, 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.

The continued reliance on drivers working overtime and/or rest days can impact SRT's ability to deliver planned services consistently and reliably across all seven days of the week. 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, SRT restored the full timetable on 7 October 2024. SRT is currently progressing a programme to recruit and train a significant additional number of drivers to further mitigate this risk.

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 the 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 scrutinise their health and safety delivery, performance and risks and control measures and to initiate any necessary improvement 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 safety 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 SHECs, 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 ORR whose annual reports and inspections of both SRT and CSL have been positive.

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Please refer to Priority 1: First Class Safety Systems on page 16 for more detail on performance and mitigation measures.

The Group also faces challenges and risks associated with climate change and the need to reduce carbon emissions to deliver as part of the journey towards net zero. Refer to Priority 5: Better Environment on page 31 and Resilience and Business Continuity risk on page 46 for more detail on environmental matters and climate change risk.

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.

SRT and Network Rail work closely together and have signed a strengthened Alliance Agreement that commits both companies to greater integration in areas that will deliver a better service for passengers and help ensure a safe, reliable, and green railway. Oversight of these arrangements is provided by the Scotland's Railway Alliance Board, which is attended by representatives from SRT, Network Rail, SRH, and Transport Scotland.

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 climate change and, the associated increased frequency of severe weather events such as floods, storms, and heatwaves, present significant risks which can damage tracks, bridges, and signalling systems, leading to service disruption. As well as having well-established severe weather response plans, 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 Priority 5: Better Environment on page 31 and the Environmental and Social Matters section on page 47.

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 continually seeks to improve and strengthen its Information Security defences and capability. 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 of all greenhouse gases by 2045. The Group is committed to supporting these targets through the existing science-based targets set out by our subsidiaries and the future Environmental Performance targets for the Group.

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. Refer to Priority 5: Better Environment on page 31 for more detail.

Task Force on Climate-Related Financial Disclosures (TCFD)

The TCFD disclosure framework is structured around four thematic areas: Governance, Strategy, Risk Management and Metrics and Targets. The TCFD framework helps to promote climate resiliency and supports the identification and assessment of climate-related opportunities and risks.

For 2024/25 reporting, Phase 2 of TCFD reporting requires disclosures on the thematic areas of Governance, Risk Management, Metrics and Targets, together with a compliance statement. Strategy disclosure is not required until Phase 3 of TCFD reporting for 2025/26, however, in the interim we have included a summary of progress on the development of our ESG and Climate Action Strategies, as detailed in Priority 5: Better Environment on page 31.

TCFD Compliance Statement

The Group has reported on climate-related financial disclosures consistent with HM Treasury's TCFD-alignment disclosure application guidance, which interprets and adapts the framework for the UK public sector.

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Our disclosure is consistent with the TCFD recommendations, except for the following areas where we are working towards full disclosure.

- Metrics and Targets - No targets were set for CSL for 2024/25 as this requires a first full year of data to baseline, which CSL did not previously have due to being only able to utilise data from Period 4 in 2023/24 when operations transferred to the public sector.

Governance

SRH's Board is responsible for working on behalf of the Scottish Ministers acting through Transport Scotland. It oversees the contribution of the Group to the Scottish Government's policy objectives as set out in the NTS2. These objectives include reducing inequalities, taking climate action, delivering inclusive economic growth and improving health and wealth being. This includes its role in ensuring climate related issues are appropriately considered when formulating SRH's strategic direction. To achieve this responsibility, the Board is assisted by the:

- Audit and Risk Committee which assists in managing risk systems, including managing climate change risk at a corporate and directorate level.
- SHECs of the subsidiaries which review environmental and climate adaptation performance, identify risks, mitigations and opportunities associated with delivery in this area and commending work to the SRH Board.

Climate-related responsibilities are assigned to specific management-level positions.

- CEO: Overall responsibility for climate-related risks and opportunities and for ensuring that climate issues are appropriately considered at SHEC and Board level.
- Active and Sustainable Travel Lead: Climate change and sustainability lead representative on subsidiary SHECs to support delivery of the Group's environmental performance initiatives and commitments, including those related to climate change.

The Accountability Report and in particular the Governance Statement on page 58, provide further information on how SRH is managed. Additional detail with regards to TCFD governance at subsidiary level can be found in SRT's and CSL's published annual report and accounts.

Strategy

We published the SRH Strategic Plan 2024-2029 in October 2024, which outlines how SRH plans to achieve supporting delivery of net zero by 2045.

In March 2025, we commenced the development of the SRH Environmental Performance & Climate Action Strategy. This strategy will define SRH's role, ambition and commitments to environmental performance and climate action within the business and across the wider rail sector.

The strategy will develop an environmental performance and climate action vision for SRH aligned with SRH's strategic business plan, associated objectives, key performance indicators and short, medium and long-term actions. Once implemented, this will represent a significant step forward in SRH's contribution to addressing environmental performance and climate action, as well as contribute to the decarbonisation of rail in Scotland.

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Part of the SRH Environmental Performance & Climate Action Strategy development will include benchmarking the organisation, to assist in the annual review of performance against the strategy following publication.

The CSL ESG strategy has been approved by the SHEC May 2025.

SRT are working to deliver environmental performance and climate action through the Scotland's Railway Climate Action Plan.

As noted in the Fleet strategy section on page 24, the fleet strategy will seek to replace life expired trains, drive modal shift through improving passenger services and accessibility, optimise operating costs and decarbonise the railway.

Risk Management

Understanding the climate-related risks and opportunities relevant to the Group means we are better able to identify and respond to the most exposed areas of our business.

Climate change is being integrated into the Group's risk management system.

Refer to our Principal Key Risks and Uncertainties section on page 43 for the Risk identification and assessment process, risk controls and risk integration approach. The Resilience and Business Continuity section on page 46 in particular provides further detail on climate risk.

Formal risk management arrangements were developed further throughout the year 2024/25. This included the adoption of a Group-wide Risk Management Strategy and the development of the associated Risk Appetite Statement as detailed in the Risk Management Review against Scottish Public Finance Manual section on page 37.

Metrics and Targets

Climate metrics and targets are currently managed at an entity level and are therefore reported on a disaggregated basis below. The Greenhouse Gas Emissions are reported in line with international Greenhouse Gas (GHG) reporting protocol standards and where applicable rely on external carbon factors to estimate emissions (such as the UK government carbon conversion factors). Further information can be found in the published annual report and accounts of SRT and CSL.

Carbon emissions are arranged into three categories, or 'scopes':

- Scope 1: Direct emissions from the combustion of gas and consumption of fuel for the purpose of transport from sources owned or controlled by the Group. Scope 1 emissions relate to diesel train use ('traction'), business vehicle usage including road fleet, taxis and bus replacement services ('non-traction') and the use of gas and gas oil for heating buildings and heating systems that combust the fuel sources on site ('non-traction').
- Scope 2: Indirect emissions from the purchase of electricity for the Group's use. Scope 2 emissions relate to electric train use ('traction') and energy consumed in buildings and fixed infrastructure ('non-traction').
- Scope 3: All other indirect emissions that occur in the upstream and downstream activities of the Group.

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Greenhouse Gas Emissions	CSL 2024/25	CSL 2023/24 ⁽¹⁾	SRT 2024/25	SRT 2023/24 ⁽²⁾
Gross Emissions (tonnes CO₂e)				
Scope 1: Direct emissions				
Traction	4,606	3,043	103,016	95,071
Non-traction ⁽³⁾	78	N/A	4,585	4,391
Scope 2: Energy indirect emissions				
Traction	2,883	2,094	46,452	46,624
Non-traction ⁽⁴⁾	45	35	5,093	5,427
Total gross emissions	7,612	5,172	159,146	151,513
Intensity ratio - grams of CO₂e per passenger kilometre ⁽⁵⁾	38.02	31.99	61.0	59.8
Energy consumption used to calculate emissions				
Gas consumption (kWh) ⁽³⁾	N/A	N/A	10,511,224	14,855,943
Electricity consumption (kWh)	13,922,403	10,281,714	248,911,882	236,505,455
Diesel consumption (litres) ⁽⁶⁾	1,833,175	1,197,980	37,508,692	38,008,376
Road fleet (litres of petrol) ⁽⁷⁾	N/A	N/A	279,595	17,018
Bus replacement and taxis (km) ⁽⁸⁾	N/A	N/A	3,442,726	2,113,422

Notes:

- (1) In 2023/24 CSL were only able to utilise data from Period 4 when its operations transferred to the public sector. Therefore 2023/24 is not a full year of data, being from Rail Period 4 to Rail Period 13. The CSL Scope 1 direct emissions figure for 2023/24 has been restated following the removal of Well-to-Tank (WTT) emissions from the calculation, which had been incorrectly included in the prior year. WTT emissions are not reportable under Scope 1.
- (2) In 2023/24 an SRT annual audit of carbon data found that the Total Gross Emissions (T Co₂e) was under reported by 3,206 with the Total Gross Emissions reported as 148,307 with an Intensity ratio of 58.6 (as disclosed in the 2023/24 SRT published annual report and accounts). While the omission was immaterial to overall carbon emissions and performance, the Total Gross Emissions have been restated for 2023/24 above for consistency.
- (3) Scope 1 non-traction includes gas and heating oil usage as well as business vehicle usage relating to road fleet and taxi usage for operational activities and bus replacement services. CSL do not have road fleet vehicles and any gas usage is negligible. Emissions for CSL taxi usage and bus replacement services have been estimated using a kgCO₂e / £ spend basis and therefore bus replacement and taxi kilometres (km) is stated as not applicable.
- (4) Scope 2 non-traction data for CSL is estimated as all CSL's facilities are rented, and the majority do not have individual meters associated with the properties (shared facilities with other offices). Estimated based on m² floorspace of offices and 133 kWh/m²/yr.
- (5) The gCO₂e per passenger km combines Scope 1 and 2 total gross emissions and divides the total by the annual passenger km total submitted to the ORR. The increase in SRT total gross emissions is primarily driven by the change in DEFRA's 2024 carbon conversion factor for D84 - Fuels - Liquid Fuels - Gas oil. These changes have meant that each litre now counts for more CO₂e than before. Increase in CSL gross emissions is primarily as a result of a full year of data for 2024/25 as compared to Rail Period 4 to Rail Period 13 for 2023/24.
- (6) Where data for actual diesel litres purchased has been unable to be obtained, CSL have used averages based on the previous rail period actuals.
- (7) Litres of petrol has been estimated on average diesel consumption of SRT's road fleet in the previous 12 months. The increase from previous year is driven by using the actual diesel consumption to estimate the annual road fleet litres of petrol in 2024/25.
- (8) Bus replacement and taxi km is used as a proxy for energy consumption. The increase in bus and taxi km travel in SRT was primarily driven by disruptions including adverse weather and major engineering works requiring bus replacement services (Ayr station was closed for months and bus replacement required).

We anticipate reported emissions may increase in the future as we adjust our systems to capture more accurate and detailed data.

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SRT's performance in 2024/25 against the quantitative targets set out in the grant agreement with SRH are shown in the table below. Sustainability reporting has been a new area of focus for CSL, with significant groundwork laid, including the recruitment of an ESG manager and the start of important baselining activity. Consequently, no sustainability targets were set for CSL for 2024/25.

SRT Grant Agreement Reporting Metrics	SRT Target 2024/25	SRT Actual Performance 2024/25	Result
CO2e per vehicle km (Kg)	0.817	0.809	Better than Target
Non-traction energy (MWh)	48,304	38,450	Better than Target
% Total waste recycled	54	59	Better than Target

As noted in Priority 5: Better Environment on page 31, SRT will still be on target for an overall reduction of carbon emissions against the 2019/20 Carbon Emission Benchmark.

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. All three Group companies have implemented policies relating to bribery and corruption, including on the acceptance of gifts and hospitality.

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.

The Group is committed to operating the highest social and ethical standards, and a critical part of that is all three companies' continued pledge to be a Living Wage employer. The Group understands the value of paying the Living Wage to staff and the importance for the Group companies setting a positive example. Additionally, SRT's major contracts encourage the supply chain to pay their employees the Living Wage.



Hannah Ross
Chief Executive Officer, Scottish Rail Holdings Limited
13 November 2025

Accountability Report

The purpose of the Accountability Report is to meet key accountability requirements, in alignment with the FReM (Government Financial Reporting Manual 2024-25). 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, 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 the Group and Scottish Rail Holdings Limited (company registration number SC548826) annual report and audited accounts for the year ended 31 March 2025. These accounts have been prepared in accordance with the Accounts Direction issued by Scottish Minister under Section 19 (4) of the Public Finance and Accountability (Scotland) Act 2000. This Accounts Direction is included at Appendix One.

The annual report and accounts were approved by the Board on 13 November 2025 and signed by Hannah Ross as Accountable Officer.

Results and Dividend

The Group's reported financial performance for the year ended 31 March 2025 shows net expenditure after interest and taxation of £821.3m (2023/24: £784.3m). Grant in Aid received from the Scottish Government during the year was £827.4m (2023/24: £745.7m) and is shown as a cash inflow on the Statement of Cash Flows on page 84.

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.

Disclosure of Information to Auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Board's auditors are unaware; and each Board member has taken all the steps that they ought reasonably to have taken

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as a Board member to make themselves aware of any relevant audit information and to establish that the Board's auditors are aware of that information.

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 who were in office at the date of signing the accounts are published on the SRH website <https://railholdings.scot/our-people/>.

A detailed table of all the changes in the Board of Directors throughout the year and up to the date of signing the accounts, is shown below.

The Board structure and Committees of SRT and CSL, together with details of Directors' Attendance, can be found in their published annual report and accounts.

Directors

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

Non-Executive Chair	Iain Docherty Richard Cairns	Appointed 4 February 2025 Resigned 31 December 2024
Chief Executive Officer & Accountable Officer	Hannah Ross Graeme Cook (Interim) David Lowrie (Interim)	Appointed 23 September 2024 Appointed 27 June 2024 Resigned as CEO 23 September 2024 Resigned 28 June 2024
Other Executive Directors		
Chief Financial Officer	David Lowrie	Resigned 28 June 2024
Interim Chief Operating Officer (COO)	Graeme Cook	Appointed as COO 23 September 2024 Resigned as COO 2 August 2025
Rail Business Director	John MacQuarrie	Appointed 18 August 2022
Finance Director	Campbell Davidson	Appointed 27 June 2024
Company Secretary & General Counsel	Emma J. Dixon Neil Amner	Resigned 31 May 2024 Appointed 20 November 2024
Non-Executive Directors	Rozanne Foyer Carolyn Griffiths Brian Baverstock Michael Bagshaw	Appointed 26 May 2022 Appointed 1 April 2023 Appointed 1 August 2023 Appointed 4 August 2025

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Company Secretary

The Company Secretaries for SRH 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 2024 to 31 March 2025 is shown in the table below:

Name	Attended	Invited
Richard Cairns (Chair) ⁽¹⁾	10	10
Iain Docherty (Chair) ⁽¹⁾	3	3
Emma J. Dixon	2	3
Rozanne Foyer	8	12
David Lowrie	4	4
John MacQuarrie	10	12
Brian Baverstock	13	13
Carolyn Griffiths	13	13
Graeme Cook	9	10
Campbell Davidson	10	10
Hannah Ross	6	6
Neil Amner	4	5
Michael Bagshaw ⁽²⁾	-	-

Notes:

(1) Richard Cairns' term as Chair ended on 31 December 2024. Iain Docherty's term as Chair started on 3 February 2025.

(2) Michael Bagshaw was appointed after 31 March 2025 so was not invited to, nor attended, any meetings in the year.

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/wp-content/uploads/2025/08/SRH-Register-of-Interests-of-Directors-6-August-2025.pdf>.

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 Committees

Audit and 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, reports and advises 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 and ensuring that the internal audit plan effectively addresses SRH risk and assurance needs. The ARC also reviews the accounting policies, the accounts and annual report of the organisation. The ARC is chaired by the non-executive director Brian Baverstock. The Committee formally reports to the Board after each meeting.

The ARC met four times (in June, October and December 2024, and in February 2025) in the year to 31 March 2025 with a number of matters relating to risk, control and governance instead being considered directly by the Board.

SRH did not operate an Internal Audit function during 2024/25, which it recognises is needed to strengthen governance arrangements in line with best practice. An Interim 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. A permanent role was thereafter created and an appointment made to that role in April 2025. A procurement competition for the provision of internal audit services was run during the year. The contract with the successful supplier commenced on 9 July 2025.

The members of the Board who served on the ARC and their attendance at meetings during 2024/25 is shown in the table below.

Name	Attended	Invited
Brian Baverstock	4	4
Rozanne Foyer	3	4

Remuneration and Appointments Committee

SRH has an established Remuneration and Appointments 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 ensure that remuneration and appointment arrangements support the strategic aims of SRH. 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 three members (including the Committee Chair) that are Non-Executive members of the SRH Board and includes the SRH Board Chair. 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 met five times (May and twice in July 2024, and February and March 2025) in the year to 31 March 2025. The Committee formally reports in writing to the Board after each meeting.

The members of the Board who served on the Remuneration and Appointments Committee and their attendance at meetings during 2024/25 is shown in the table below.

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Name	Attended	Invited
Richard Cairns	3	3
Iain Docherty	2	2
Rozanne Foyer ⁽¹⁾	1	1
Brian Baverstock	5	5
Carolyn Griffiths	1	1

Notes:

(1) Rozanne Foyer did not attend four of the five Remuneration and Appointments Committee meetings during 2024/25 due to conflicts of interest in relation to these meetings.

Supplier Payment 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. SRH commenced collecting this data in Quarter 4 2024/25. During this quarter, the time taken to pay creditors achieved an average of 6.05 working days against a target of 10 days, with 82% being made by the target date. SRT's compliance rate for the full year 2024/25 was an average of 10.77 working days to pay against a target of 10 days, with 71% being made by the target date. CSL has been working towards complying with the Scottish Government's target of making payment of authorised invoices within 10 days of receipt. This payment timescale was adopted as their policy from Q2 2025/26, on completion of the business transition programme.

Political and Charitable Donations

There were no political or charitable donations made during the year (2023/24: £nil).

Information Requests

Members of the public can make a request to each of SRH, SRT and CSL to see information it holds. Freedom of Information requests are made under the Freedom of Information (Scotland) Act 2002 (FOISA) and the Environmental Information (Scotland) Regulations 2004 (EIRs).

During 2024/25, the Group received and responded to 405 FOISA requests (2023/24: 388) of which 389 requests (2023/24: 394) were responded to and closed (including requests from the prior year which were still open at the prior year end). There were 16 requests (2023/24: 13) for an internal review of a response and there were 3 referrals (2023/24: 2) of the Group to the Scottish Information Commissioner (SIC). Of the 3 referrals in 2024/25, the 2 SRT referrals have been withdrawn and the 1 CSL referral has now received a determination from the SIC, who has decided that CSL complied with FOISA by withholding the requested information. Of the 2 SRH referrals in 2023/24, 1 is now closed and 1 remains with the SIC for determination. There were 7 EIRs requests (2023/24: 8), all of which are now closed.

This is summarised by entity for 2024/25 as follows:

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	SRH 2024/25	SRT 2024/25	CSL 2024/25	Group 2024/25	Group 2023/24
FOISA requests received	12	360	33	405	388
FOISA requests responded to, now closed	12	344	33	389	394
Request for review of a response	1	14	1	16	13
Referrals to SIC	-	2	1	3	2
EIR requests responded to, now closed	-	6	1	7	8

Personal Data Incidents

We take the protection of personal data very seriously. Appropriate management steps are taken to investigate any incident and appropriate management actions are taken to mitigate any resulting risks.

During 2024/25, the Group had 1 (2023/24: nil) personal data related incident that was required to be formally reported to the Information Commissioner's Office ('ICO'). This incident occurred in SRT and was reported to the ICO. The ICO confirmed that no further action would be taken.

Other Disclosures

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

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.

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 2025. The notional fee for this service was £47k (2023/24: £42k). There were no payments made for non-audit services in the year (2023/24: nil).

PwC undertook the audit of SRT and CSL. The notional fee for this service for SRT was £340k (2023/24 £330k) and CSL was £150k (2023/24: £150k), with additional fees of £35k being paid by CSL to PwC in 2024/25 in relation to the 2023/24 year. During the year, SRT purchased £9k of non-audit services from PwC (2023/24: £1k). CSL made no payments for non-audit services (2023/24: nil).

Governance Statement

The Governance Statement describes how the SRH Board and its supporting governance structures work. It provides an assessment of how SRH is managed, including the effectiveness of systems of internal control, risk management and accountability.

Scope of Responsibility

As Accountable Officer, I am responsible 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. As Accountable Officer, I have specific responsibilities assigned to me under the Framework Agreement and the Scottish Public Finance Manual in relation to:

- Maintaining sound and effective systems of internal control and risk management;
- Ensuring arrangements have been made to secure best value, including the concepts of corporate governance and continuous improvement;
- Planning, performance management and monitoring;
- Advising the SRH Board;
- Safeguarding public funds and managing resources; and
- Accounting for SRH's activities.

Governance Framework

The corporate governance framework is comprised of the systems, processes, culture and values by which SRH is directed and controlled. It is concerned with the structures and procedures of decision-making and accountability. The framework includes, but is not limited to, the responsibilities of the Senior Management team, the ARC, Remuneration and Appointments Committee and the Board. The Senior Management team comprises the CEO, who is also the Accountable Officer, together with the Executive Team.

The CEO is also the Chair of the SRT and CSL Boards. The SRT and CSL Executive Teams report to their respective Boards. SRT and CSL financial and strategic information is shared with SRH to ensure its leadership team are fully aware of the subsidiaries' performance and future plans, and to allow SRH to perform their duties as an oversight function of the Group. More details on the governance of SRT and CSL can be found in their published annual report and accounts.

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. As outlined in the *Who We Are* section on page 6, 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.

Senior management are collectively responsible for the overall strategic direction of the Group and for monitoring its performance. SRH is governed by the Board, which currently meets at least ten times a year. The members of the Board throughout the year and up to the date of signing are shown on page 53.

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Through the quarterly Strategic Rail Board (SRB) meetings, the Scottish Ministers acting through our sponsor Transport Scotland, formally oversee the performance of SRH against its strategy and business plan. However, there is an ongoing dialogue on a day-to-day basis with the Sponsor throughout the year regarding operational and oversight matters.

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

The SRH Scheme of Delegation in the SRH Code of Governance sets out the matters which are reserved to the Board and those which have been delegated to the CEO.

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 Remuneration and Appointments Committee. Details of these committees and of the directors' attendance at the Board meetings can be found in the Directors' Report on pages 54 to 56.

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 2024/25. This included the development of a Group-wide Risk Management Strategy and the associated Risk Appetite Statement, which were subsequently adopted by the Board in April 2025.

The principal and emerging risks are evaluated by the ARC as detailed on page 55 of the Directors' Report. More detail on the risks themselves is given in the Performance Report on page 43.

Key Risks

Throughout the 2024/25 financial year SRH continued to identify and manage corporate risks. The most significant risks identified are listed in the Performance Overview on page 13 and detailed in the Performance Analysis on page 43.

Significant Issues

- Some aspects of the governance arrangements in place during 2024/25 could be improved and require progress in 2025/26. While a significant number of improvements were made

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during 2024/25, further improvements are needed as detailed in the Review of Effectiveness section on page 61.

- 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 regularly reviewed by senior management, the Audit and Risk Committee and the Board. Management recognises, however, that continuous improvements are needed to the processes 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 implementation of the recently approved Risk Management Strategy and Risk Appetite Statement and further improvements in arrangements for reviewing, managing, and reporting on risks.
- In 2024/25 effective Internal Audit arrangements providing independent assurance on SRH's (and the wider Group's) risk management, governance and internal control arrangements were not in place. As outlined in the Review of Effectiveness section on page 61, internal audit coverage was secured after year end and the successful supplier commenced on 9 July 2025.

Written Authorities

The Accountable Officer has a statutory duty to obtain written authority from the Scottish Ministers, or when appropriate the relevant governing body board, before taking any action that they consider may be inconsistent with the proper performance of their functions. There were no written authorities provided to the Accountable Officer during the year ended 31 March 2025.

Information Governance

As outlined in *Priority 7: Robust Corporate Governance*, the Group recognises the importance of information and data management and the need for robust cyber security. Across the Group, we have continued to enhance and embed continual improvements to align with best practice.

Steps have been taken following an internal cyber security assessment to strengthen systems, policies and procedures and embed appropriate culture and behaviours. This has included training, testing and contingency planning.

Cyber security is a standing item on the board agendas of all three Group companies, with additional presentations and reports presented during the year.

Information governance and cyber security is recognised as a key risk and discussed regularly with the ARC to ensure these areas have a high level of scrutiny.

SRH certified for Cyber Essentials accreditation during the year.

The Group records, and thoroughly reviews, all information security incidents. In 2024/25, there have been no significant lapses of data security in the Group except for one instance in SRT as outlined in the *Directors' Report: Personal Data Incidents* on page 57. This instance was reported to the ICO resulting in no action.

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Whistleblowing

The Group is committed to the highest possible standards of openness and accountability.

In line with that commitment, all three companies within the Group have whistleblowing policies which follow the Scottish Government's *Raising a Concern under the Civil Service Code and Whistleblowing Policy*. Employees within any Group company with serious concerns about illegality, malpractice, wrongdoing, or serious failures of standards of work are encouraged to come forward and voice their concerns. All whistleblowing cases are investigated thoroughly, ensuring that lessons are learned to encourage continuous improvement.

In the year ended 31 March 2025, there were no cases reported within SRH or SRT under the respective Whistleblowing Policy. There were two cases reported within CSL under its Whistleblowing Policy. Both matters raised have been investigated thoroughly, with appropriate action taken both with respect to the immediate concerns raised and to address the wider lessons learned.

Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the adequacy and effectiveness of SRH's governance arrangements in place and the preparation of the Annual Governance Statement. My review is informed by:

- Annual assurance certificates provided by Executive Directors of SRH and Managing Directors of SRT and CSL covering their areas of responsibility. These are supported by the completion of an internal controls checklist based on guidance contained within the Scottish Public Finance Manual. This requires the Directors to review various aspects of SRH, SRT and CSL'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.
- Regular review of SRH's strategic risk register (monthly by senior management and quarterly by the ARC and Board). ARC and Board reviews also consider key risks reported by SRT and CSL.
- Comments made by the external auditors, Audit Scotland, in their management letters and reports.

In future years, I also expect the review of effectiveness of our governance arrangements to be informed by the work and annual opinion of our Internal Audit function.

Arising from this process, I confirm that generally adequate corporate governance arrangements and financial controls were in operation within SRH during 2024/25 and up to the date of approval of the Annual Report and Accounts.

However, as SRH is a maturing organisation in a period of public sector and rail reform, I also acknowledge that some aspects of the governance arrangements in place during 2024/25 could be improved and require progress during 2025/26. The improvements needed and the actions being taken to address these are:

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- Continue to embed a more consistent and systemic approach across the Group to risk identification, assessment, mitigation and reporting. Work is now well underway with the Risk Management Strategy and Risk Appetite Statement being approved by the SRH Board in April 2025.
- Good progress has been made implementing the Best Value framework approved by the Board in May 2025, to ensure SRH (and the wider Group) will deliver against the Best Value duty to secure continuous improvement in the performance of the Group's objectives. SRH has now completed the planned formal baseline self-assessment of its current arrangements against the 7 Best Value Themes using toolkits prepared by Audit Scotland. The results of this self-assessment demonstrated a good level of compliance with key Best Value expectations. The self-assessment will be used to inform the identification and prioritisation of improvement actions to be included in future Best Value plans. We will also continue to work with our subsidiaries to ensure that Best Value is appropriately embedded in their governance arrangements and will seek to encourage them to undertake a similar baseline self-assessment to inform their identification and prioritisation of future improvement actions. The Group's current 2025/26 business plans already include a range of relevant initiatives and actions intended to support continuous improvement and the efficient delivery of passenger rail services. Implementation of these agreed actions is currently monitored as part of arrangements in place to review the delivery of business plans and compliance with the Framework Agreement (for SRH) and the Grant Agreements (for SRT and CSL).
- Build greater depth and resilience in respect of the Group's introduction of the new fleet procurement resources, as identified in a mandated stage gate review for fleet procurement. Recruitment for a new Fleet Programme Director is currently underway. The requirement for an SRH in-house procurement permanent resource is also being reviewed to support the fleet procurement and general procurement activity.
- While our authorisation and approvals processes have the required and proportionate level of due diligence, we recognise that assurance processes must be reviewed to ensure the efficient and timely delivery of projects and benefits realisation, while also balancing effective transparency and oversight at Board level. We have made particular progress since the year end in respect to the governance of capital approvals and delivery, with a particular focus on standardising reporting and business case templates, assurance checklists, and associated governance arrangements.
- Whilst SRH has been progressing a range of organisational improvements to ensure SRH has the right organisational structures and sufficient staff and expert non-executive directors with appropriate skills and capacity to deliver against our objectives, succession planning remains a risk due to the size of the organisation and some specialist skillsets required. This was reviewed by senior management in 2024/25, and the results of this review and recommendations are being progressed.
- Further review and enhancement of information security, data protection and records management arrangements seeking to align with best practice have been undertaken in all three Group companies. Information management items are now a standing item on Board agendas.
- Continue to improve arrangements designed to monitor SRH's compliance with the Framework Agreement and by SRT and CSL with the respective Grant Agreements and to

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monitor performance against the SRH Strategic Plan and Annual Business Plans within the Group. This was reviewed by senior management in 2024/25 and the results of this review and recommendations are being progressed, including revised KPIs.

- Establish effective Internal Audit arrangements providing independent assurance on SRH's (and the wider Group's) risk management, governance and internal control arrangements. 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. Internal audit coverage was secured after year end and the successful supplier commenced on 9 July 2025.

I am confident that, notwithstanding some areas where improvements have been identified, these areas are being well managed and do not on the whole present a material risk to the delivery of our objectives and our framework of internal controls, risk management, and corporate governance is generally adequate given SRH's resources and organisational maturity.

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. There have been no significant events in the period up to the date of approval of the Annual Report and Accounts.

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 Section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, the Scottish Ministers have directed SRH to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction included at Appendix 1. The Principal Accountable Officer for the Scottish Administration has designated the CEO of SRH as Accountable Officer of the Group.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of SRH and the Group and of the income and expenditure, Statement of Financial Position, and cash flows for the financial year.

In preparing the accounts, as Accountable Officer, I am required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- Observe the Accounts Direction issued by 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 the applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed and disclose and explain any material departures in the financial statements.
- 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 responsibilities of an Accountable Officer include responsibility for the propriety and regularity of the finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding assets of the Group and to prevent and detect fraud and other irregularities, as set out in the Memorandum to Accountable Officers for Other Public Bodies issued by the Scottish Government. 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 Section 15 of the Public Finance and Accountability (Scotland) Act 2000, I am personally answerable to the Scottish Parliament for:

- Ensuring the propriety and regularity of financial transactions under my control and for the economic, efficient and effective use of resources provided to the Group.
- Signing the annual accounts of SRH and the Group.

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. 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.

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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.

As Accountable Officer, I confirm that 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.

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 Remuneration and Appointments Committee as a Committee of the Board as detailed in the SRH Committees section on page 55. The overall purpose of the Committee is, on behalf of the SRH Board and the Accountable Officer, to ensure that remuneration and appointment arrangements support the strategic aims of SRH.

In doing so the Committee will ensure compliance with the relevant sections on pay and performance as may be outlined in the SRH Framework Agreement and Financial Memorandum and SRH Group strategy and policy; and the Scottish Public Finance Manual in particular ensuring adherence to Scottish Government pay policies.

All SRH staff, other than the CEO, currently come within the Scottish Government Main Bargaining Unit Arrangements.

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 2025, 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 2024/25 £000	Remuneration 2023/24 £000
Richard Cairns, Chair of SRH ⁽¹⁾	35-40	45-50
Iain Docherty, Chair of SRH ⁽¹⁾	5-10	-
Carolyn Griffiths	35-40	15-20
Brian Baverstock	25-30	10-15
Rozanne Foyer ⁽²⁾	5-10	0-5

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Notes:

(1) SRH Chair

Richard Cairns' term as Chair ended on 31 December 2024. Iain Docherty's term as Chair started on 4 February 2025. Full year equivalent remuneration would be Richard Cairns £50k-£55k and Iain Docherty £45-£50k. Iain Docherty is employed by the University of Stirling and SRH is invoiced by the University of Stirling for his time commitment in respect of this appointment. No monies are paid directly from SRH to him.

(2) Other non-executive directors

Rozanne Foyer is employed by The Scottish Trades Union Congress (STUC) and SRH is invoiced by STUC for her time commitment in respect of this appointment. No monies are paid from SRH to her.

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. The single total figure of remuneration is comprised of salaries, benefits in kind and pension entitlements and contains no performance pay or bonus pay elements. 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.

Name and Position	Salary		Pension Benefits ⁽³⁾		Total	
	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000	2024/25 £000	2023/24 £000
David Lowrie CEO/FD ⁽¹⁾	50-55	150-155	15-20	55-60	65-70	210-215
Graeme Cook CEO/COO ⁽¹⁾	70-75	-	25-30	-	100-105	-
Hannah Ross CEO ⁽¹⁾	70-75	-	25-30	-	100-105	-
Emma Dixon General Counsel & Company Secretary ⁽²⁾	20-25	105-110	10-15	35-40	30-35	140-145
Neil Amner General Counsel & Company Secretary ⁽²⁾	35-40	-	10-15	-	50-55	-
Campbell Davidson Financial Director ⁽²⁾	75-80	-	30-35	-	105-110	-
John MacQuarrie Rail Business Director	95-100	95-100	95-100	35-40	190-195	125-130

The value of Benefits in Kind provided in 2024/25 was £70 to Hannah Ross and £58 to Neil Amner in relation to Medicash. Benefits in Kind provided in 2023/24 was nil.

Notes:

(1) Changes to CEO

David Lowrie resigned as CEO on 27 June 2024. Graeme Cook acted as interim CEO from 27 June 2024 until 23 September 2024 when he was appointed interim COO. Hannah Ross was appointed as permanent CEO on 23 September 2024. Full year equivalent salary would be David Lowrie £175k-£180k, Graeme Cook £90k-£95k and Hannah Ross £140k-£145k. Graeme Cook was seconded from the Scottish Government throughout the financial year, and SRH was recharged by the Scottish Government for this appointment.

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(2) Changes to other Executive Directors

Emma Dixon resigned as General Counsel & Company Secretary on 31 May 2024, and Neil Amner was appointed as General Counsel & Company Secretary on 20 November 2024. Campell Davidson was appointed as Finance Director on 27 June 2024. Full year equivalent salary would be Emma Dixon £110k-£115k, Neil Amner £100k-£105k and Campbell Davidson £100k-£105k.

(3) Public Service Pensions Remedy

Accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the relevant legacy scheme for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022. Where a member has benefits in both the PCSPS and Alpha, the figures show the combined value of their benefits. Refer to Note 15 on page 109 for further detail.

Pension Entitlements (Audited Information)

The pension entitlements of the executive directors of SRH are shown in the table below calculated on Normal Retirement Age (NRA) where pension entitlement is due at that age or current age if over NRA. In accordance with the Public Service Pensions Remedy note disclosed in the Executive Directors single figure of remuneration table on page 67, accrued pension benefits included in this table for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the legacy scheme for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. Where a member has benefits in both the PCSPS and Alpha, the figures show the combined value of their benefits. Refer to Note 15 on page 109 for further detail.

	Accrued Pension at age NRA as at 31 March 2025	Real increase in Pension and Related lump sum at age NRA	CETV at	CETV at	Real Increase in CETV
			31 March 2025	31 March 2024	
	£'000s	£'000s	£'000s	£'000s	£'000s
David Lowrie	5-10	0-2.5	137	115	14
Graeme Cook	30-35	0-2.5	492	461	18
Hannah Ross	0-5	0-2.5	22	-	17
Emma Dixon	15-20	0-2.5	202	180	6
Neil Amner	0-5	0-2.5	16	-	11
Campbell Davidson	0-5	0-2.5	22	-	15
John MacQuarrie	30-35	5-7.5	661	543	89

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.

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.

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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.

CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in CETV reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

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.

Pay Ratio

The full year equivalent banded remuneration of the highest paid director was £175,000-£180,000 (2023/24: £175,000-£180,000). This was 2.5 times (2023/24: 2.5 times) the median remuneration of the workforce, which was £71,942 (2023/24: £69,846). The banded midpoint of our highest paid director in 2024/25 was £178,000 (2023/24: £178,000) which represented an increase of 0% on the previous year.

Pay ratios slightly decreased in the 25th percentile due to a greater distribution of salaries as employee numbers increased in this percentile and increased marginally in the 75th percentile due to a public sector general grades pay award and pay progression. Overall, the pay ratios remained relatively stable. We believe the median pay ratio for the year ended 31 March 2025 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.

		2024/25	2023/24
Highest paid director (band midpoint)	£	178,000	178,000
25 th percentile remuneration ⁽¹⁾	£	47,231	44,557
25 th percentile ratio		3.8:1	4:1
Median remuneration ⁽¹⁾	£	71,942	69,846
Median ratio		2.5:1	2.5:1
75 th percentile remuneration ⁽¹⁾	£	94,383	98,278
75 th percentile ratio		1.9:1	1.8:1

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Notes:

(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 & benefits and contain no performance pay or bonus pay elements and exclude pension benefits as mentioned above.

The average annualised salary excluding the highest paid director was £69,577 (2023/24: £73,189) which represented a 5% 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 2025 no employee received remuneration in excess of the highest paid director (2023/24: None). Remuneration FTE equivalent ranged from £28,000 to £178,000 (2023/24: £33,000 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 £491,161 was incurred on Consultancy and Temporary staff during the year (2023/24: £147,383). This consisted of Consultancy £103,705 (2023/24: £142,173) and Temporary staff £387,456 (2023/24: £5,210).

Consultancy is the provision of objective advice relating to strategy, structure, management or operations of an organisation in pursuit of its purposes and objectives. Such advice is provided outside the 'business-as-usual' environment when inhouse skills are not available and will be time-limited. Consultancy may include the identification of options with recommendations, or assistance with (but not the delivery of) the implementation of solutions.

Consultancy costs are incurred by SRH primarily on specialist legal, governance, and strategy services.

Temporary staff are individuals that are not on the payroll of SRH and are contracted to cover business-as-usual or service delivery. Temporary staff costs are incurred when staff are brought in to supplement the existing workforce, this could be due to a surge in demand, to address a short-term resourcing need or in a temporary capacity for specialist skills.

In 2024/25, temporary staff costs were incurred primarily in relation to vacant posts in the new SRH organisational structure that required Transport Scotland approval to expedite the recruitment of permanent staff. The majority of these posts have now been filled with permanent staff in 2025/26.

Off-Payroll Appointments (Audited Information)

The tables below summarise the highly paid and/or senior off-payroll appointments where the worker earned £245 per day or more. Off payroll appointments are those which are not on SRH's payroll and excludes secondees. Costs relating to off-payroll appointments are included the Temporary Staff figure per the note above.

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Highly paid off-payroll worker engagements as at 31 March 2025, earning £245 per day or greater.	
Number of existing engagements as at 31 March 2025	4
Of which, number that existed:	
less than 1 year	3
for between 1 and 2 years	1
for between 2 and 3 years	-
for between 3 and 4 years	-
for 4 or more years	-
All highly paid off-payroll workers engaged at any point during the year ended 31 March 2025, earning £245 per day or greater	
No. of temporary off-payroll workers engaged during the year ended 31 March 2025	4
Of which:	
Not subject to off-payroll legislation ⁽¹⁾	4
Subject to off-payroll legislation and determined as in-scope of IR35	-
Subject to off-payroll legislation and determined as out-of-scope of IR35	-
Number of engagements reassessed for compliance or assurance purposes during the year	-
Of which: Number of engagements that saw a change to IR35 status following review	-

Notes:

(1) The appointment made during the prior year was disclosed in the 2023/24 annual report as subject to off-payroll legislation and determined as in-scope of IR35, however, upon further consideration, this appointment is not subject to off-payroll legislation.

There were no off-payroll engagements of board members and/or senior staff with significant financial responsibility during the year to 31 March 2025 (2023/24: nil). The total number of board members and/or senior staff with significant financial responsibility during the year to 31 March 2025 was 12 (2023/24: 7).

Staff Numbers and Costs (Audited Information)

The total number of staff throughout the year and the staff costs are shown below.

Staff category	2024/25		2023/24	
	No.	£000	No.	£000
Staff with a permanent UK Employment contract	21	1,541	16	1,316
Non-Executive Directors	5	138	4	100
Agency Staff	5	388	1	5
Short Term Contract	4	185	3	326
Secondments	1	127	1	98
Other staff related costs	n/a	161	n/a	89
Total	36	2,540	25	1,934

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

Staff Composition

The table below shows the gender balance of SRH staff over the 2024/25 and 2023/24 years.

Staff Category	2024/25			2023/24		
	Male	Female	Total	Male	Female	Total
Directors (including non-executive directors) (1)	8	4	12	4	3	7
Employees	9	10	19	8	8	16
Secondees	-	-	-	1	-	1
Agency Staff	3	2	5	1	-	1
Total	20	16	36	14	11	25

Notes:

(1) As noted in the Single Total Figure of Remuneration tables on page 67, Graeme Cook was an Executive Director for 2024/25 who was seconded from the Scottish Government and has therefore been disclosed as a secondment in the *Staff Numbers and Costs* table and a Director in the gender balance table above.

Sickness Absence Data

During the year ended 31 March 2025, the total number of whole time equivalent (WTE) days lost to sickness absence was 43 days (2023/24: 26 days). This equated to a total sickness absence rate of 0.62% (2024: 0.48%).

Staff Turnover (Audited Information)

The average staff turnover in the year was 25.5% (2024: 4.5%), as can be seen in the table below.

Staff Turnover %	2024/25	2023/24
Number of Leavers	7	1
Average Number of staff	28	22
Staff Turnover	25.5%	4.5%

Exit Packages (Audited Information)

There were no exit packages in the year (2023/24: nil).

Trade Union Officials

The total number of SRH employees who were relevant trade union officials during the year was nil. (2023/24: nil).

Pensions

Pension benefits for SRH are provided through the Civil Service pension arrangements, comprising the Partnership defined contribution scheme and the Alpha defined benefit scheme. The Alpha scheme is an unfunded multi-employer defined benefit scheme. SRH is unable to identify its share of the underlying assets and liabilities of the Alpha scheme. The Scheme Actuary valued the Alpha 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

The Group is 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. SRH takes Diversity, Equality, and Inclusion of its 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.

SRT is an inclusive and diverse employer, committed to its public sector legal duties. SRT is committed to ensuring that all individuals are treated fairly, with respect, and are valued irrespective of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (gender), or sexual orientation.

SRT has 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.
- SRT seek to overcome prejudice and change any entrenched negative attitudes about equality, diversity and inclusion.
- SRT seek to adopt fair and inclusive policies, practices and behaviours throughout its 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 this policy.
- Non-compliance with this policy will be treated seriously and will not be tolerated.

SRT regularly analyses equality and diversity data in line with best practice and public sector equality duty. SRT's Public Sector Equality Duty (PSED) Report has been published for 2025 and can be found here [ScotRail Public Sector Equality Duty \(PSED\) Report 2025](#).

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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.

CSL is committed, in line with its organisational values and obligations as a public sector organisation to take positive steps to eliminate discrimination and promote diversity in all aspects of how CSL manages its business. CSL utilise the Equality Impact Assessment (EQIA) process to inform decision making and continue to embed equality into its thinking, such as working through its internal equality forum to develop an equality action plan, roll out of employee networks and providing training on this topic to all staff.

CSL's 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, it has committed to further developing its future HR strategies during 2025. These will include a diversity and inclusion strategy which will be developed in collaboration with our staff, trade union colleagues and key external stakeholders.

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.

SRT offers a guaranteed interview to any disabled applicant who meets the minimum criteria for a job vacancy and offers reasonable adjustments to all applicants. Where possible, SRT will support medical redeployment applications if a colleague becomes disabled during their employment and can no longer carry out their duties. SRT 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.

CSL is committed under its equality policy to eliminating discrimination and positively advancing equality in all aspects of how it conducts its business, including in its role as an employer, where CSL will ensure that its recruitment and succession planning are managed with fairness in mind; with considerations for all and how its practices can disproportionately affect certain protected groups more than others. As CSL works to further develop its internal processes and policies in this area following the transition away from Serco to its new internal HR function, it will continue to utilise the EQIA to inform their design and ensure it is meeting these commitments. CSL is in the course of establishing an internal staff accessibility network through its equality forum who will help it to ensure it is building an inclusive, supportive and equitable environment for all its people and guests.

Fair Work First Policy

The Group companies have adopted the Scottish Government Fair Work First policy and ensure that best practice is applied across the Group. 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.

The Group is committed to being a Living Wage employer as outlined in the Social Matters and Human Rights section on page 51.

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, employees are provided with opportunities to attend events and employee engagement forums.

Within SRT, there are leadership briefings scheduled each period which provide an overview on financial and operational performance for SRT. SRT frontline employees attend employee engagement forums and there are organisation wide communications and business updates provided to all employees on a regular basis.

CSL provides regular communications and business updates to all its staff via a range of channels including its digital hub “the Platform” as well as holding a quarterly in-person company briefing session which shares key business updates. CSL’s Annual Recurring Training programme is another key initiative through which all CSL staff receive two days of face-to-face group training each year. This plays a significant role in bringing its frontline, support staff and management together and provides an opportunity for engagement on a range of topics.

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, Transport Scotland. 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, the Group 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.

Fees and Charges

The Group does not raise any significant income through fees and charges.

Contingent Liabilities Disclosure

The Group had no material contingent liabilities or remote contingent liabilities during the year.

Statement of Losses and Special Payments

Category	Number of Cases	£'000
Cash losses	5	7
Special payments including ex-gratia and special severance payments	-	-

The cash losses reported above relate to SRT and are for bad debt write-offs. 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. The Group has nothing to report for the year ended 31 March 2025 (2023/24: £nil).

Hannah Ross

Hannah Ross
Chief Executive Officer, Scottish Rail Holdings Limited
13 November 2025

Independent Auditor’s 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 and its group for the year ended 31 March 2025 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 2024/25 Government Financial Reporting Manual (the 2024/25 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 2025 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 2024/25 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 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;

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- 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.

Scottish Rail Holdings Limited

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For the year ended 31 March 2025

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
4th Floor, 102 West Port
Edinburgh
EH3 9DN

13 November 2025

Group and Company Statements of Comprehensive Net Expenditure

Notes	Group		Scottish Rail Holdings	
	Year ended 31 March 2025	Year ended 31 March 2024	Year ended 31 March 2025	Year ended 31 March 2024
	£000	£000	£000	£000
Passenger revenue	3	395,012	351,390	-
Other operating income	3	22,303	36,448	1
Total operating income		417,315	387,838	1
Staff costs	4	(361,383)	(330,235)	(2,541)
Other operating expenditure	4	(871,114)	(835,472)	(825,088)
Total operating expenditure		(1,232,497)	(1,165,707)	(827,629)
Net operating expenditure		(815,182)	(777,869)	(827,628)
Finance income		821	14	-
Finance expense	5	(6,810)	(6,402)	-
Comprehensive net expenditure after interest		(821,171)	(784,257)	(827,628)
Taxation	6	(128)	-	-
Comprehensive net expenditure after interest and taxation		(821,299)	(784,257)	(827,628)
				(813,110)

Net expenditure is fully funded by Grant in Aid, as shown on the Statements of Cash Flows on page 84. The Group operated within its budget allocation, as demonstrated in the Outturn Analysis on page 40.

The Notes on pages 86 to 118 form part of these accounts.

Group and Company Statements of Financial Position

	Notes	Group		Scottish Rail Holdings	
		31 March 2025 £000	31 March 2024 £000	31 March 2025 £000	31 March 2024 £000
Non-current assets					
Property, plant and equipment	7	29,420	23,319	-	-
Intangible assets	8	2,676	1,141	-	-
Right of use assets	16	564,391	476,341	-	-
Financial assets	9	-	-	9,000	9,000
Total non-current assets		596,487	500,801	9,000	9,000
Current assets					
Inventories	10	14,623	13,628	-	-
Trade and other receivables	12	46,144	57,409	63,977	61,868
Cash and cash equivalents	11	70,230	63,773	236	147
Total current assets		130,997	134,810	64,213	62,015
Total assets		727,484	635,611	73,213	71,015
Current liabilities					
Trade and other payables	13	(196,996)	(198,586)	(133,605)	(131,217)
Lease liabilities	16	(100,383)	(106,040)	-	-
Total current liabilities		(297,379)	(304,626)	(133,605)	(131,217)
Total assets less current liabilities		430,105	330,985	(60,392)	(60,202)
Non-current liabilities					
Provisions	14	(10,376)	(8,225)	-	-
Lease liabilities	16	(447,545)	(356,043)	-	-
Total non-current liabilities		(457,921)	(364,268)	-	-
Total assets less total liabilities		(27,816)	(33,283)	(60,392)	(60,202)
Taxpayers' equity and other reserves					
Share capital	SoCTE	-	-	-	-
General fund	SoCTE	(27,816)	(33,283)	(60,392)	(60,202)
Total equity		(27,816)	(33,283)	(60,392)	(60,202)

The Group and SRH have share capital each of £1 for the current year (2023/24: £1).

The Accountable Officer was authorised to sign the Scottish Rail Holdings Limited (company registration number SC548826) accounts by the Board on 13 November 2025.



Authorised by Hannah Ross
Accountable Officer

13 November 2025

Group and Company Statements of Cash Flows

	Notes	Group		Scottish Rail Holdings	
		Year ended 31 March 2025 £000	Year ended 31 March 2024 £000	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
Cash flows from operating activities					
Comprehensive net expenditure after interest and taxation	SoCNE	(821,299)	(784,257)	(827,628)	(813,110)
Adjustments for:					
Depreciation, amortisation and impairment	4	119,866	115,255	-	-
Interest on finance leases	16	6,810	6,402	-	-
Increase in provisions	14	2,151	2,580	-	-
Decrease/(increase) in trade and other receivables	12	11,265	10,374	(2,109)	(10,177)
Increase in trade and other payables	13	(1,590)	22,237	2,388	79,095
Increase in inventory	10	(995)	(735)	-	-
Previously capitalised assets expensed	4	285	4,751	-	-
Lease payments	16	(112,083)	(100,632)	-	-
Net cash inflow/(outflow) from operating activities		(795,590)	(724,025)	(827,349)	(744,192)
Cash flows from investing activities					
Purchase of non-financial assets	9	(25,391)	(25,763)	-	-
Investment in subsidiary		-	-	-	(1,500)
Net cash inflow/(outflow) from investing activities		(25,391)	(25,763)	-	(1,500)
Cash flows from financing activities					
Grant in Aid from Scottish Government for the year	SoCTE	827,438	745,675	827,438	745,675
Net cash inflow/(outflow) from financing activities		827,438	745,675	827,438	745,675
Net increase/(decrease) in cash and cash equivalents in the year		6,457	(4,113)	89	(17)
Cash and cash equivalents at the beginning of the year		63,773	67,886	147	164
Cash and cash equivalents at the end of the year		70,230	63,773	236	147

Group and Company Statements of Changes in Taxpayers’ Equity

		Group		
		Share capital £000	General fund £000	Total equity £000
Balance as at 1 April 2023		-	2,831	2,831
Grant in Aid from Scottish Government for the year	SoCF	-	745,675	745,675
IFRS 16 remeasurements			2,468	2,468
Comprehensive net expenditure for the year	SoCNE	-	(784,257)	(784,257)
		-	(36,114)	(36,114)
Balance at 31 March 2024		-	(33,283)	(33,283)
Grant in Aid from Scottish Government for the year	SoCF	-	827,438	827,438
IFRS 16 remeasurements			(672)	(672)
Comprehensive net expenditure for the year	SoCNE	-	(821,299)	(821,299)
		-	5,467	5,467
Balance at 31 March 2025		-	(27,816)	(27,816)
Scottish Rail Holdings				
		Share capital £000	General fund £000	Total equity £000
Balance as at 1 April 2023		-	7,233	7,233
Grant in Aid from Scottish Government for the year	SoCF	-	745,675	745,675
Comprehensive net expenditure for the year	SoCNE	-	(813,110)	(813,110)
		-	(67,435)	(67,435)
Balance at 31 March 2024		-	(60,202)	(60,202)
Grant in Aid from Scottish Government for the year	SoCF	-	827,438	827,438
Comprehensive net expenditure for the year	SoCNE	-	(827,628)	(827,628)
		-	(190)	(190)
Balance at 31 March 2025		-	(60,392)	(60,392)

The tables show cash drawn down for expenditure in the year. It does not include Grant in Aid which had not been drawn down before 31 March 2025 for expenditure in the year.

The Group and SRH have share capital each of £1 for the current year (2023/24: £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 2024/25 (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 95 to 97 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 modified by the revaluation of certain non-current assets and financial instrument categories.

The accounts are prepared on a going concern basis, as outlined on page 15 in the Performance 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 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.

Railcards

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 Value Added Tax (VAT)

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Grant in Aid received by SRH from the Scottish Ministers and grant funding distributed by SRH to its subsidiaries is outside the scope of VAT.

1.8 Foreign Currencies

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

1.9 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.

1.10 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 Transport Scotland, 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.

1.11 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 96 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 subsequently measured using depreciated historical cost as a reasonable proxy for current value in existing use. Where the requirements for using depreciated historical cost as proxy are not met, for these leases the asset is carried at a revalued amount. 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 95 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.

1.12 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.

1.13 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 two adjustments in the year. These were due to extensions to existing leases and as such have been treated as a remeasurement as this is not accounted for as a separate lease.

1.14 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

1.15 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 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 Statement of Comprehensive Net Expenditure.

1.16 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.

1.17 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.

1.18 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.

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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.

1.19 Short Term Employee Benefits

A short-term liability and expense is recognised for holiday days and holiday pay benefits when employees render service that increases their entitlement to these benefits. As a result, an accrual has been made for leave earned but not taken.

1.20 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.

1.21 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.

1.22 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) are 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 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.

1.23 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

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affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key Judgements

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 Transport Scotland. 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 £304m 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 90, 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 Group with additional assurance and stability over its operations.

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 the Scottish Ministers, which is recognised on a cash basis upon receipt, as outlined in Accounting Policy Note 1.3 *Funding*.

Key Estimates

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.

2. Segmental Reporting

The Group currently reports segmental information based upon the nature of the distinct services provided by each of the three separate entities in the group. The key services provided are Stewardship (SRH), Passenger Rail Day Travel (SRT) and Passenger Rail Sleeper Travel (CSL).

The tables below present management information on income, expenditure and capital additions relating to the operating segments, in alignment with the financial statements and the Outturn Analysis. The operating segments disclosed are in line with internal budget reporting arrangements.

As a result of revenues and expenses from transactions with other operating segments being treated as transactions from external parties for the purposes of segment disclosures, the Group includes an Intersegment Eliminations (I/E) category to reconcile the segment results to the Group results.

Net expenditure is fully funded by Grant in Aid, and in accordance with the FReM is not recognised as revenue but accounted for as financing through the general fund reserves as shown on the Statements of Cash Flows on page 84. Grant in Aid is therefore not reported as revenue for segmental reporting purposes.

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Segments Year ended 31 March 2025	Stewardship £000	Passenger Rail Day £000	Passenger Rail Sleeper £000	I/E £000	Total £000
Income					
Passenger revenue	-	362,448	32,564	-	395,012
Other operating income	1	20,657	1,707	(62)	22,303
Total operating income	1	383,105	34,271	(62)	417,315
Expenditure					
Staff costs	(2,540)	(342,913)	(15,952)	22	(361,383)
Fuel – Including Diesel and EC4T	-	(72,487)	(2,620)	-	(75,107)
Other	(382)	(68,842)	(11,640)	23	(80,841)
Commission payable	-	(11,147)	(1,338)	-	(12,485)
Manageable costs	(2,922)	(495,389)	(31,550)	45	(529,816)
Train Maintenance Costs ⁽¹⁾	-	(60,194)	(13,757)	-	(73,951)
Rolling Stock / Locomotive Hire	-	(33,870)	(12,038)	-	(45,908)
Depreciation and Amortisation	-	(113,055)	(6,811)	-	(119,866)
Strategic costs	-	(207,119)	(32,606)	-	(239,725)
Network Rail Charges – Excluding FTAC	-	(83,795)	(5,099)	-	(88,894)
FTAC	-	(349,883)	(8,779)	-	(358,662)
Shared Industry Costs	-	(27,320)	(219)	-	(27,539)
Industry costs	-	(460,998)	(14,097)	-	(475,095)
Performance regimes ⁽²⁾	-	11,610	529	-	12,139
Total operating expenditure	(2,922)	(1,151,896)	(77,724)	45	(1,232,497)
Net Interest	-	(3,989)	(2,000)	-	(5,989)
Tax	-	(128)	-	-	(128)
Net expenditure after interest and tax	(2,921)	(772,908)	(45,453)	(17)	(821,299)
Capital					
Plant, Property, Equipment & Intangibles	-	(9,330)	(1,702)	-	(11,032)
Right of Use Assets	-	(204,806)	-	-	(204,806)
Third party income for asset adjustments	-	(131)	-	-	(131)
Capital asset additions	-	(214,267)	(1,702)	-	(215,969)
Total Outturn	(2,921)	(987,175)	(47,155)	(17)	(1,037,268)

Segmental reporting presented by budget classification is as follows.

	Stewardship £000	Passenger Rail Day £000	Passenger Rail Sleeper £000	I/E £000	Total £000
Year ended 31 March 2025	£000	£000	£000	£000	£000
Budget Classification					
RDEL	(2,921)	(312,916)	(29,849)	(17)	(345,703)
CDEL	-	(561,137)	(10,481)	-	(571,618)
RfDEL	-	(111,133)	(6,728)	-	(117,861)
RAME	-	(1,774)	(97)	-	(1,871)
CAME	-	(215)	-	-	(215)
Total Outturn	(2,921)	(987,175)	(47,155)	(17)	(1,037,268)

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Segments Year ended 31 March 2024	Stewardship £000	Passenger Rail Day £000	Passenger Rail Sleeper £000	I/E £000	Total £000
Income					
Passenger revenue	-	327,489	23,901	-	351,390
Other operating income	-	35,703	889	(144)	36,448
Total operating income	-	363,192	24,790	(144)	387,838
Expenditure					
Staff costs	(1,934)	(318,070)	(10,334)	103	(330,235)
Fuel – Including Diesel and EC4T	-	(71,098)	(2,852)	-	(73,950)
Other	(423)	(76,678)	(7,877)	69	(84,909)
Commission payable	-	(9,270)	(999)	-	(10,269)
Manageable costs	(2,357)	(475,116)	(22,062)	172	(499,363)
Train Maintenance Costs ⁽¹⁾	-	(57,506)	(9,554)	-	(67,060)
Rolling Stock / Locomotive Hire	-	(33,304)	(8,331)	-	(41,635)
Depreciation and Amortisation	-	(108,900)	(5,122)	-	(114,022)
Strategic costs	-	(199,710)	(23,007)	-	(222,717)
Network Rail Charges – Excluding FTAC		(81,788)	(4,422)	-	(86,210)
FTAC	-	(358,639)	(4,396)	-	(363,035)
Shared Industry Costs	-	(24,956)	(141)	-	(25,097)
Industry costs	-	(465,383)	(8,959)	-	(474,342)
Performance regimes ⁽²⁾	-	29,844	871	-	30,715
Total operating expenditure	(2,357)	(1,110,365)	(53,157)	172	(1,165,707)
Net Interest	-	(4,714)	(1,674)	-	(6,388)
Tax	-	-	-	-	-
Net expenditure after interest and tax	(2,357)	(751,887)	(30,041)	28	(784,257)
Capital					
Plant, Property, Equipment & Intangibles	-	(9,110)	(2,272)	-	(11,382)
Right of Use Assets		(20,218)	(65,308)	-	(85,526)
Third party income for asset adjustments	-	(12,431)	-	-	(12,431)
Capital asset additions	-	(41,759)	(67,580)	-	(109,339)
Total Outturn	(2,357)	(793,646)	(97,621)	28	(893,596)

Segmental reporting presented by budget classification is as follows.

	Stewardship £000	Passenger Rail Day £000	Passenger Rail Sleeper £000	I/E £000	Total £000
Year ended 31 March 2024	£000	£000	£000	£000	£000
Budget Classification					
RDEL	(2,357)	(302,365)	(19,862)	28	(324,556)
CDEL	-	(381,285)	(71,976)	-	(453,261)
RfDEL	-	(106,781)	(5,122)	-	(111,903)
RAME	-	(2,199)	(661)	-	(2,860)
CAME	-	(1,016)	-	-	(1,016)
Total Outturn	(2,357)	(793,646)	(97,621)	28	(893,596)

(1) Train maintenance costs include raw materials and consumables.

(2) The regime compensates train operators for the financial impact of planned and unplanned service disruption caused by other parties and creates incentives towards improved train performance.

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3. Income

	Group	Scottish Rail Holdings	
	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000	Year ended 31 March 2025 £000
Passenger revenue	395,012	351,390	-
Other operating income	22,303	36,448	1
	417,315	387,838	1
Other operating income comprises of:			
Maintenance and fuel income	4,415	4,697	-
Station access charges	4,909	4,705	-
Property lettings	3,014	2,617	-
Commission receivable	1,276	1,112	-
Advertising income	1,209	1,132	-
Catering income	1,975	1,202	-
Other	5,505	20,983	1
	22,303	36,448	1

Other income includes third party capital grant income of £2.8m for the year ended 31 March 2025 (2023/24: £18.1m).

4. Expenditure

	Group		Scottish Rail Holdings	
	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
Staff costs comprises of:				
Wages and salaries	294,875	273,008	1,302	1,219
Social security costs	31,605	28,575	150	140
Other pension costs	18,907	15,590	344	287
Other staff costs	15,996	13,062	744	288
	361,383	330,235	2,540	1,934
Other operating expenditure includes:				
Depreciation	119,793	114,004	-	-
Amortisation	73	18	-	-
Impairment	-	1,233	-	-
Auditors' remuneration and expenses	581	523	47	42
Provisions provided for in year	42	(478)	-	-
Grant payments to subsidiaries	-	-	824,707	810,752
Other expenditure	750,625	720,172	334	382
	871,114	835,472	825,088	811,176

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 were expensed due to not meeting the £10,000 capitalisation policy.

Further detail on operating expenditure by segment is in Note 2 Segmental Reporting on page 97.

Refer to the Auditors section on page 57 in the Directors Report for further detail on Auditors' remuneration.

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5. Interest Payable and Similar Charges

	Group		Scottish Rail Holdings	
	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
Interest charge on leases	6,810	6,402	-	-
	6,810	6,402	-	-

6. Taxation

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

	Group		Scottish Rail Holdings	
	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
Current taxation				
UK corporation tax	-	-	-	-
Adjustments in respect of prior periods	128	-	-	-
Other adjustment	-	-	-	-
	128	-	-	-
Deferred taxation				
Origination and reversal of temporary differences	-	-	-	-
Effect of change in tax rates	-	-	-	-
Total deferred taxation	-	-	-	-
Tax (credit)/charge to the SoCNE	128	-	-	-

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% (2023/24: 25%).

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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 2025 £000	Year ended 31 March 2024 £000	Year ended 31 March 2025 £000	Year ended 31 March 2024 £000
Comprehensive net expenditure before taxation	<u>(821,171)</u>	<u>(784,257)</u>	<u>(827,628)</u>	<u>(813,110)</u>
Corporation tax at standard UK rate of 25% (2023/24: 25%)	(205,293)	(196,064)	(206,907)	(203,277)
Effects of:				
Fixed asset differences	1,362	1,364	-	-
Expenses not deductible	206,219	204,227	206,176	202,688
Income not taxable	(3,014)	(10,107)	-	-
Losses carried back / (brought back)	-	432	-	-
Adjustments in respect of prior periods	128	14	-	-
Group relief surrendered / (claimed)	-	-	736	-
Temporary differences not recognised	(154)	(911)	-	-
Movement in deferred tax not recognised	880	1,060	(5)	589
Other	-	(15)	-	-
Tax (credit)/charge for the year	<u>128</u>	<u>-</u>	<u>-</u>	<u>-</u>

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 2025:

	Group		Scottish Rail Holdings	
	Gross Amount £000	Tax Effect £000	Gross Amount £000	Tax Effect £000
Tax Attributes				
Deductible temporary differences	5,426	1,357	1	-
Unused tax losses	2,345	586	2,345	586
Unused tax credits	-	-	-	-
Total	<u>7,771</u>	<u>1,943</u>	<u>2,346</u>	<u>586</u>

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.

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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 2024	14,282	3,052	2,068	354	6,320	26,076
Additions	-	-	70	-	9,069	9,139
Transfers	465	1,357	779	-	(2,601)	-
Disposals	-	-	-	-	-	-
At 31 March 2025	14,747	4,409	2,917	354	12,788	35,215
Depreciation						
At 1 April 2024	(1,044)	(1,114)	(447)	(152)	-	(2,757)
Charged in the year	(1,710)	(875)	(335)	(118)	-	(3,038)
Disposals	-	-	-	-	-	-
At 31 March 2025	(2,754)	(1,989)	(782)	(270)	-	(5,795)
Carrying value at 31 March 2024						
	13,238	1,938	1,621	202	6,320	23,319
Carrying value at 31 March 2025						
	11,993	2,420	2,135	84	12,788	29,420
Asset financing:						
Owned	-	2,420	2,135	84	3,110	7,749
Leased assets	11,993	-	-	-	9,678	21,671
Carrying value at 31 March 2025	11,993	2,420	2,135	84	12,788	29,420

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.

Assets under construction additions during the year materially consists of assets relating to rolling stock enhancements, and Perth and Inverness station works.

Asset financing includes £3.7m of rolling stock enhancements that were classified as Owned in 2023/24 and have subsequently been reclassified as Leased assets in 2024/25

8. Intangible Assets

	Group			
	Brand costs £000	Software costs £000	Assets under construction £000	Total £000
Cost				
At 1 April 2024	-	433	726	1,159
Additions	-	-	1,893	1,893
Disposals		-	(285)	(285)
Transfers	-	229	(229)	-
Impairments	-	-	-	-
At 31 March 2025	-	662	2,105	2,767
Amortisation				
At 1 April 2024	-	(18)	-	(18)
Charged in the year	-	(73)	-	(73)
At 31 March 2025	-	(91)	-	(91)
Carrying value at 31 March 2024	-	415	726	1,141
Carrying value at 31 March 2025	-	571	2,105	2,676
Asset financing:				
Owned	-	571	2,105	2,676
Carrying value at 31 March 2025	-	571	2,105	2,676

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.

In 2022/23 the Group impaired the Brand costs by £2.6m. These assets were taken over from the previous operator of SRT. These brands are still in use; however, the Group does not attribute specific cashflows to sub-brands, as the SRT business operates as one cash generating unit. Remaining Brand costs of £496k were fully amortised in 2023/24. Although the asset was brought forward into 2024/25, its carrying value was nil as at 1 April 2024. Accordingly, the asset has been derecognised and excluded from the intangible assets note for 2024/25. Hence Brand costs are showing as nil above; total opening cost restated to £1,159k and total opening amortisation restated to £18k.

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9. Financial Assets

	Group		Scottish Rail Holdings	
	31 March 2025 £000	31 March 2024 £000	31 March 2025 £000	31 March 2024 £000
	Investment in subsidiary	-	1,125	1,268
Intercompany loan to subsidiary	-	-	7,875	7,732
	-	-	9,000	9,000

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	Train Operator	Ordinary	100%	Scotland

10. Inventories

	Group		Scottish Rail Holdings	
	31 March 2025 £000	31 March 2024 £000	31 March 2025 £000	31 March 2024 £000
	Catering supplies	222	217	
Fuel stocks	664	626	-	-
Engineering spares	13,737	12,785	-	-
	14,623	13,628	-	-

Inventories are stated after provisions for impairment of £nil (2023/24: £nil). The cost of inventory charged to the SoCNE in the year was £11.4m (2023/24: £10.8m).

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11. Cash and Cash Equivalents

	Group £000	Scottish Rail Holdings £000
Balance at 1 April 2024	63,773	147
Net change in cash and cash equivalent balances	6,457	89
Balance at 31 March 2025	70,230	236

The following balances at 31 March 2025 were held at:

Commercial banks and cash in hand	70,230	236
Balance at 31 March 2025	70,230	236

12. Trade and Other Receivables

	Group		Scottish Rail Holdings	
	31 March 2025 £000	31 March 2024 £000	31 March 2025 £000	31 March 2024 £000
Amounts falling due within one year				
Trade receivables	18,011	16,240	-	-
Other receivables	1,086	1,111	-	-
Prepayments	3,390	3,145	-	-
Accrued income	9,521	10,149	-	-
VAT	14,136	26,764	-	-
Prepayment to subsidiaries for Grant in Aid	-	-	63,977	61,868
	46,144	57,409	63,977	61,868

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13. Trade and Other Payables

	Group		Scottish Rail Holdings	
	31 March 2025 £000	31 March 2024 £000	31 March 2025 £000	31 March 2024 £000
Amounts falling due within one year				
Social security and other taxes	7,264	6,856	45	40
Trade payables	46,896	46,966	30	38
Other payables	686	1,352	-	-
Accruals	58,435	64,682	231	384
Deferred income	19,738	16,862	-	-
Amounts owed for prepaid Grant in Aid	63,977	61,868	63,977	61,868
Accrued grant funding owed to subsidiaries	-	-	69,322	68,887
	196,996	198,586	133,605	131,217

Accrued grant funding owed to subsidiaries of £69.3m (2023/24: £68.9m) is in respect of services delivered by SRT and CSL for the year ended 31 March 2025 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 2024	125	7,588	512	8,225
Provided in the year	83	968	1,660	2,711
Provisions utilised in the year	(30)	-	(381)	(411)
Provisions released unutilised	(25)	(67)	(57)	(149)
Balance at 31 March 2025	153	8,489	1,734	10,376

Analysis of expected timing of discounted flows:

Not later than one year	153	-	1,734	1,887
Later than one year and not later than five years	-	7,033	-	7,033
Later than five years	-	1,456	-	1,456
Balance at 31 March 2025	153	8,489	1,734	10,376

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.

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. For 2024/25 employee contributions range between 4.6% to 8.05% and employer contributions are 28.97%.

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 2025 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).

Before 1 April 2015, the only Civil Service Pension scheme provided was the Principal Civil Service Pension Scheme (PCSPS), which is divided into a few different sections – classic, premium, and classic plus provide benefits on a final salary basis, while nuvos provides benefits on a career average basis.

When the Government introduced new public service pension schemes in 2015, including Alpha above, which provides benefits on a career average basis, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to Alpha. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members (the “McCloud judgment”).

As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The Public Service Pensions Remedy¹ is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of Alpha

¹ www.gov.uk/government/collections/how-the-public-service-pension-remedy-affects-your-pension

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from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023.

The accrued pension benefits, Cash Equivalent Transfer Value and single total figure of remuneration reported for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the PCSPS for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the PCSPS for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the Alpha scheme for the period from 1 April 2015 to 31 March 2022.

In this report, where a member has benefits in both the PCSPS and Alpha, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages.

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

For the year ended 31 March 2025, employers' contributions of £344k (2023/24: £287k) 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 7.36% for employees and 11.04% for the employer and for CSL the current contribution rate is 8.76% for employees and 13.14% 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.

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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. 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 DBO (in years) is as follows:

	SRT 31 March 2025	SRT 31 March 2024	CSL 31 March 2025	CSL 31 March 2024
Discount rate - 25 basis points	17.1	18.7	18.5	20.2
Discount rate + 25 basis points	16.5	18.1	18.0	19.7

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.

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 lead to a higher value being placed on the DBO. Some of the Section's assets are either unaffected by inflation or loosely correlated with inflation (e.g. growth assets), meaning that an increase in inflation will generally increase the deficit.
- Life expectancy: An increase in life expectancy will lead to an increased value being placed on the Section DBO. Future mortality rates cannot be predicted with certainty.

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Net defined benefit position:

	SRT 31 March 2025 £000	CSL 31 March 2025 £000	Group 31 March 2025 £000	Group 31 March 2024 £000
Cash and cash equivalent	25,412	668	26,080	16,447
Equity instruments	581,240	7,693	588,933	808,444
Debt instruments	268,723	3,820	272,543	71,453
Real estate	81,152	1,148	82,300	90,182
Other	108,666	1,512	110,178	109,463
Total fair value of scheme assets	1,065,193	14,841	1,080,034	1,095,989
Present value of scheme liabilities	(902,610)	(14,687)	(917,297)	(1,023,969)
Operator adjustment	(97,550)	(92)	(97,642)	(43,212)
Defined benefit obligation	65,033	62	65,095	28,808
Members' share of surplus	(65,033)	(62)	(65,095)	(28,808)
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. All assets held by the scheme are unquoted.

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

	SRT 31 March 2025 £000	CSL 31 March 2025 £000	Group 31 March 2025 £000	Group 31 March 2024 £000
Current service cost	30,917	894	31,811	24,810
Administrative expenses	1,152	49	1,201	2,361
Interest expense on defined benefit obligation	29,160	457	29,617	26,816
Interest income on pension scheme assets	(31,741)	(423)	(32,164)	(29,182)
Interest on operator adjustment	2,169	(52)	2,117	1,974
Operator adjustment	(13,998)	(122)	(14,120)	(11,555)
Total amount charged to SoCNE	17,659	803	18,462	15,224

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

	SRT 31 March 2025 £000	CSL 31 March 2025 £000	Group 31 March 2025 £000	Group 31 March 2024 £000
Return on plan assets	(57,809)	(664)	(58,473)	41,711
Loss from change in members' share	(43,407)	(889)	(44,296)	(7,752)
Change in assumptions	172,253	3,036	175,289	34,359
Loss on operator adjustment	(51,110)	(159)	(51,269)	(111)
Effect of experience adjustments	(7,719)	(1,202)	(8,921)	(83,282)
Effect of changes in demographic assumptions	1,790	-	1,790	26,630
Total re-measurement recognised in the statement of comprehensive net expenditure	13,998	122	14,120	11,555
Operator adjustment	(13,998)	(122)	(14,120)	(11,555)
Net total re-measurements	-	-	-	-

The movement within change in assumptions is largely driven by the discount rate used increasing to 5.9% from 4.9%. See assumptions section on page 114.

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

	SRT £000	CSL £000	Group £000
Fair value of scheme assets at 1 April 2024	1,082,005	13,984	1,095,989
Return on plan assets	(57,809)	(664)	(58,473)
Cash contributions - employer	17,659	803	18,462
Cash contributions - employee	11,647	529	12,176
Interest income - employer	31,741	423	32,164
Interest income - employee	21,161	282	21,443
Benefits paid	(39,291)	(434)	(39,725)
Administration expense	(1,920)	(82)	(2,002)
Fair value of scheme assets at 31 March 2025	1,065,193	14,841	1,080,034

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.

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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 2024	1,008,221	15,748	1,023,969
Current service cost - employer	30,917	894	31,811
Current service cost - employee	20,487	595	21,082
Benefits paid	(39,291)	(434)	(39,725)
Interest expense - employer	29,160	457	29,617
Interest expense - employee	19,440	304	19,744
Effect of changes in financial assumptions	(172,253)	(3,012)	(175,265)
Effect of changes in demographic assumptions	(1,790)	(24)	(1,814)
Effect of experience adjustments	7,719	159	7,878
Defined benefit obligation at 31 March 2025	902,610	14,687	917,297

The following assumptions have been used:

	Group	
	31 March 2025	31 March 2024
Rate of increase in salaries	3.2%	3.2%
Rate of increase of pensions	2.7%	2.7%
Discount rate	5.9%	4.9%
Price Inflation Rate (RPI)	3.0%	3.0%
Price Inflation Rate (CPI)	2.7%	2.7%

	SRT 31 March 2025	SRT 31 March 2024	CSL 31 March 2025	CSL 31 March 2024
Post-retirement mortality				
<i>Retiring at Statement of Financial Position date at age 65:</i>				
Male	19.2	19.3	19.1	19.1
Female	22.1	22.0	22	22.0
<i>Retiring in 25 years:</i>				
Male	21.0	21.0	20.8	20.8
Female	24.0	24.0	24	24.0

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A sensitivity analysis regarding the impact of changes in the principal assumptions used to measure the present value (PV) of the defined benefit pension obligations at 31 March 2025 is set out below:

Assumption	Change in Assumption	SRT	SRT	CSL	CSL
		Increase/ (Decrease) in PV scheme obligations	PV of scheme obligations at 31 March 2025	Increase/ (Decrease) in PV scheme obligations	PV of scheme obligations at 31 March 2025
Discount rate	- 50 basis points	8.9%	983,325	9.7%	16,108
Discount rate	+ 50 basis points	(7.9%)	831,017	(8.6%)	13,422
Salary increase rate	+ 25 basis points	1.2%	913,130	1.6%	14,924
Salary increase rate	- 25 basis points	(1.1%)	892,427	(1.6%)	14,457
Price inflation	- 25 basis points	(3.3%)	872,132	(4.3%)	14,061
Price inflation	+ 25 basis points	3.5%	934,631	4.5%	15,349
Post-retirement mortality	- one year rating	2.4%	923,890	2.1%	14,991

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 £19,244k for SRT and £814k for CSL for the year to 31 March 2026.

Virgin Media pension ruling

In June 2023, the High Court ruled that certain amendments made to the Virgin Media pension scheme were invalid due to non-compliance with Section 37 of the Pension Schemes Act 1993. The Court of Appeal upheld this decision on 25 July 2024.

Following a detailed review of the SRT and CSL section of the scheme, no evidence was found to suggest that any amendments were made which sought to reduce future service benefits without the necessary Section 37 certification. Accordingly, there is no indication that liabilities in any shared cost section of the scheme are understated as a result of non-compliance with Section 37 during the relevant period. Identified amendments were either neutral in their effect or enhanced member benefits. Based on the findings of this review, there is no liability or financial impact to the Company as a result of the Virgin Media ruling, and no adjustment to the defined benefit obligation is required.

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16. Leases

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

	Group				
	Rolling stock £000	Buildings £000	Plant and equipment £000	Assets Under Construction £000	Total £000
Right-of-use assets					
Cost					
At 1 April 2024	682,023	5,596	1,548	-	689,167
Additions	12,960	91	578	1,446	15,075
Remeasurements	189,730	-	-	-	189,730
At 31 March 2025	884,713	5,687	2,126	1,446	893,972
Accumulated depreciation					
At 1 April 2024	(210,509)	(1,731)	(586)	-	(212,826)
Charged in the year	(114,939)	(1,098)	(718)	-	(116,755)
At 31 March 2025	(325,448)	(2,829)	(1,304)	-	(329,581)
Carrying value at 31 March 2024	471,514	3,865	962	-	476,341
Carrying value at 31 March 2025	559,265	2,858	822	1,446	564,391

The Group leases several assets including rolling stock, property and vehicles. The additions within rolling stock include £12.0m of additions in relation to heavy maintenance works. The lease remeasurements primarily relate to the extension of the Class 385 fleet (£163.9m) and the HST fleet (£26.5m). Assets under construction of £1.5m is for heavy maintenance works which had commenced before the year end but were not yet completed.

Obligations under finance leases comprise:

	Group				
	Rolling stock £000	Buildings £000	Plant and equipment £000	Total £000	
Leases expiring within:					
Not later than one year	111,026	969	544	112,539	
Later than one year and not later than five years	363,544	1,557	154	365,255	
Later than five years	116,477	41	-	116,518	
	591,047	2,567	698	594,312	
Less interest element	(46,267)	(102)	(15)	(46,384)	
Present value of obligations	544,780	2,465	683	547,928	

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Lease liabilities are analysed as follows:

	Group	
	31 March 2025 £000	31 March 2024 £000
Current	100,383	106,040
Non-current	447,545	356,043
	547,928	462,083

The Group does not face a significant liquidity risk with regard to its lease liabilities. The total cash outflow in 2024/25 for leases amounts to £112,083k (2023/24: £100,632k).

	Group	
	31 March 2025 £000	31 March 2024 £000
Amounts recognised in the Statement of Comprehensive Net Expenditure		
Depreciation expense on right of use assets	116,755	112,016
Interest charge on lease liabilities	6,810	6,402
Expense relating to variable lease payments not included in the measurement of lease liabilities	1,296	621
Expense related to low-value asset leases	3	3
	124,864	119,042

17. Capital Commitments

	Group		Scottish Rail Holdings	
	31 March 2025 £000	31 March 2024 £000	31 March 2025 £000	31 March 2024 £000
Capital commitments	5,410	6,883	-	-

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, acting through Transport Scotland. Other transport bodies sponsored by the Scottish Ministers include David MacBrayne Ltd, Caledonian Maritime Assets Ltd and Highlands and Islands Airports Ltd. Transport Scotland is regarded as a related party with which SRH has had various material transactions during the year. Grant in Aid of £827.4m was received by SRH from Transport Scotland for the 2024/25 year. SRH has recognised £63.9m of deferred income for Grant in Aid received in advance.

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Recharges of £32k were incurred by SRH to Transport Scotland in relation to consultancy fees. At 31 March 2025, SRH had no outstanding balances owed to Transport Scotland for the recharges.

Transactions between SRH and its subsidiaries, SRT and CSL, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

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

On 27 June 2024, Scottish Government employee Graeme Cook (CEO/COO) was appointed as an executive director of SRH. During the year, SRH incurred £127k of expenditure with the Scottish Government in respect of recharges for the secondment. At 31 March 2025, an outstanding balance of £27k was owed to the Scottish Government for the secondment. Graeme Cook resigned as a director of SRH on 2 August 2025.

SRH had no other significant transactions, individually or collectively exceeding £10k, with the Scottish Government and Transport Scotland or with any other organisations associated with SRH Board members or Executive Directors in 2024/25.

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

The website link to the Registers of Interest of Board members can be found in the Accountability Report on page 54.

19. Events After the Reporting Date

There were no significant events after the reporting date.

Appendix to the Accounts

Appendix One: Accounts Direction

Direction by the Scottish Ministers



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