

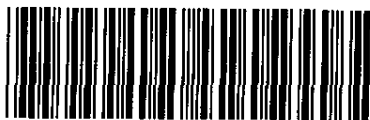
Registered number: 03715410

## **Hull Trains Company Limited**

**Annual report and financial statements**

**for the year ended 31 March 2022**

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**Hull Trains Company Limited**  
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## **Hull Trains Company Limited**

### **Strategic report**

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

#### **Principal activities**

Hull Trains Company Limited ("Hull Trains" or "company") is a non-franchised, open access intercity train company, which operates direct services between Hull and London King's Cross.

#### **Business review and future prospects**

For the year ended 31 March 2022, the focus for the company was on recovering from the effects of the pandemic. The company had restarted all services from 12 April 2021 and revenues had recovered to c.70% of pre pandemic revenues during September 2021 with further recovery achieved during Autumn 2021. The emergence of the Omicron variant in November 2021 impacted passenger demand over the Christmas period and particularly in January 2022 when just over 20 weekly services were withdrawn. Easing of restrictions at the end of January 2022 had seen a pick-up in passenger demand with all 94 passenger services restored once again in February 2022.

As an open access operator Hull Trains can respond to passenger demand quickly and easily by reinstating services or coupling units to strengthen existing services. Leisure demand Friday to Sunday has returned much stronger than business demand and in December 2021 the company strengthened certain Friday/Saturday services to 10 car and launched a sixth return Sunday path increasing its weekly services to 94, the highest in its history. Hull Trains remains optimistic that its direct services from East Yorkshire to London will play an important part in the region's economic recovery in the coming years. The company has been loss-making since the inception of the Coronavirus Pandemic with revenue at the end of the first half of financial year ending 31 March 2022 returning to circa 70% of pre pandemic levels with further recovery achieved during Autumn 2021. The company is focussed on returning to profitability in the year ending March 2023. However, as more fully explained in the statement on going concern included in the directors' report, the company is dependent on its ultimate parent company FirstGroup plc for ongoing financial support.

On 8 May 2021, cracks were found in a sister company's class 800 and 802 fleet. Subsequently, cracks have been found in certain of Hull Trains' fleet. Following a thorough risk assessment, an ongoing inspection scheme was put in place which enables the fleet to remain in passenger service. Remedial actions to fix the cracks will be completed over a number of years. The company is using the mechanisms within the relevant contracts to minimise our commercial risk arising from these defects.

The company relocated its Head Office during July 2021. Still based in Hull and within one mile of the Hull Paragon Train Station the new Head Office provides updated telecoms and IT infrastructure and a modern open plan layout for all functions of its operation.

Since the year end, the National Union of Rail, Maritime and Transport Workers (RMT) and the Associated Society of Locomotive Engineers and Firemen (ASLEF) have secured strike mandates from their members regarding pay, conditions and job security. Strike mandates are generally valid for a period of 6 months, which means that passengers may face further disruption this financial year having endured disruption since June 2022. The company suffers losses in its passenger revenue when strike action requires a reduced timetable to be operated.

Economic sanctions on Russia following their invasion of Ukraine have had an adverse impact on the cost of electricity used for traction and other operational purposes. We expect these costs to remain high for the foreseeable future with tariffs fixed with Network Rail to March 2024.

Our work with Network Rail continues to be important to delivering consistent and reliable services to our customers, and the close working relationship we have built will continue to be a valuable tool in responding to challenges in the future. This includes working together on the East Coast digital re-signalling programme.

#### **Financial matters**

The results for the year are given in the profit and loss account on page 15, which shows an overall loss for the financial year of £3,253k on turnover of £19,921k (2021: loss of £8,280k on turnover of £2,484k). The directors did not declare an interim dividend (2021: *£nil per share*) and no final dividend was recommended (2021: *£nil*). Net liabilities on the balance sheet have increased to £5,030k (2021: net liabilities £3,161k) due to the loss for the year and the actuarial gain on the defined benefit pension scheme net of deferred tax of £1,384k (2021: loss of £615k).

## **Hull Trains Company Limited**

### **Strategic report**

#### **Key performance indicators**

The company produces and notes the following key performance indicators. The increase in passenger revenue was nearly eight-fold as compared to the prior year (2021: 92.4% decrease). However, passenger revenue was still 39% down compared to 2020. The Performance Punctuality Monitor (PPM) moving annual average was 88.3% (2021: 89.3%). PPM is the percentage of trains reaching destination within 9 minutes 59 seconds of the timetabled arrival time. This is a creditable outcome given the prior year reflected a much-reduced timetable for large parts of that year. The National Rail Passenger Survey satisfaction did not take place.

#### **Principal risks and uncertainties**

We have a well-established risk management methodology which we use throughout the business to allow us to identify and manage the principal risks which could:

- adversely impact the safety and security of Hull Trains' employees, customers and assets;
- have a material impact on the financial or operational performance of the company;
- *impede achievement of our strategic objectives and financial targets; and/or*
- adversely impact the company's reputation or stakeholder expectations.

Hull Trains' principal risks are set out below; these risks have been assessed considering their potential impact (both financial and reputational), the likelihood of occurrence and any change to this compared to the prior year and the residual risk after the implementation of controls.

#### **Environment and sustainability**

The key risk facing the company in this area relates to reducing the environmental impact of the business with a focus on reducing waste and energy usage across its trains and office. A number of initiatives are in place, which are being led by the Safety Management Group to meet our customers' requirements in this area. The key initiative has been the investment in a fleet of five bi-mode Hitachi trains to replace the diesel only Class 180 fleet, which has brought a reduction in carbon emissions. The move to the new HQ in the year has reduced energy usage, also.

#### **Compliance, litigation and claims, health and safety**

Hull Trains' operations are subject to a wide range of legislation and regulation. Failure to comply can lead to litigation, claims, damages, fines and penalties. The company has three main risks: third party injury and other claims arising from general operations, employee injuries and property damage. A higher volume of litigation and claims can lead to increased costs and reputational impact.

We have a very strong focus on safety, and it is one of our five values. The company self-insures third party and employee injury claims up to a certain level commensurate with the historical risk profile. We purchase insurance above these limits from reputable global insurance firms. Claims are managed by experienced claims handlers. Non-insured claims are managed by FirstGroup plc's dedicated in-house legal teams with external assistance as appropriate.

#### **Colleague engagement, retention and capability**

The company employed an average of 99 colleagues during the year. Our colleagues are critical to the success of our business. Maintaining good relations with colleagues and investing in their training and development is essential to the efficiency and sustainability of the company's operations. The company's employment policies and remuneration and benefits packages are regularly reviewed and designed to be competitive with other companies, as well as providing colleagues with fulfilling career opportunities. Colleague surveys, performance reviews, communications with trade unions and regular communication of business activities are some of the methods the company uses to understand and respond to colleagues' needs. Processes are also in place to identify talent and actively manage succession planning throughout the business.

#### **Economic conditions**

Changing economic conditions affect our business in different ways. A less positive economic outlook affects the number of train journeys taken by passengers in the UK. Changes in economic activity may impact upon the passenger numbers and hence our operations. Improving economic conditions may result in a tightening of labour markets, resulting in employee shortages, pressure to increase pay, or affect the availability of public funding for transport services. The same factors could also affect our key suppliers.

To mitigate these risks, we continue to focus on building revenue streams and controlling costs to ensure we remain competitive.

## **Hull Trains Company Limited**

### **Strategic report**

#### **Principal risks and uncertainties (continued)**

##### **Information technology**

The company relies on information technology in all aspects of its business. Any significant disruption or failure, caused by external factors, denial of service, computer viruses or human error, could result in a service interruption, accident or misappropriation of confidential information (including credit card data). Process failure, security breach or other operational difficulties may also lead to revenue loss. Extensive security controls are in place, which, in conjunction with policy and procedures, are designed to enhance the resilience and security of the company's information technology systems and the data they contain.

##### **Data security (including cyber security and GDPR)**

All business sectors are targeted by increasingly sophisticated cyber security attacks. Across our business we are seeing increased use of mobile and internet sales channels which gather large amounts of data and therefore the risk of unauthorised access to, or loss of, data in respect of employees or our customers is growing. A failure to comply with the General Data Protection Regulation (GDPR), which came into force in May 2018, could result in significant penalties and could have adverse impact on consumer confidence in our business.

We have threat detection systems across our business but continue to remain vigilant to security improvements when identified.

##### **Political and regulatory issues**

Our business is subject to numerous laws and regulations covering a wide range of matters including health and safety, equipment, employment (including working time, wage and hour, mandatory breaks and holiday pay), competition and anti-trust, data protection and security, bribery and corruption, environment, insurance coverage, consumer protection, and other operational issues. Failure to comply could have financial or reputational implications, could result in increased litigation and claims and have a negative impact on Hull Trains. These laws and regulations are constantly subject to change, the impact of which could include increased compliance costs and/or a reduction in operational flexibility and efficiency.

To help mitigate the risk of legislative or regulatory changes the company and FirstGroup plc have embedded operating policies and procedures to ensure compliance with existing legislation and regulation. FirstGroup plc actively engages with the relevant bodies and policy makers to help ensure that we are properly positioned to respond to any proposed changes.

##### **Competition**

Hull Trains' main competitors include private car and other public and private transport operators across our network. Emerging technologies such as Uber, ride sharing apps and price comparison websites make access to alternative solutions easier. Increased competition can result in lost business, revenue and reduced profitability.

To mitigate this risk the company continues to focus on service quality, performance and innovation as priorities in making our service attractive to passengers and other customers. In addition, we work with local and national bodies to promote measures aimed at increasing demand for our services. We have a dedicated Customer Experience Team focused on improving our service to customers and improving access to our services.

##### **Disruption to infrastructure/operations**

Across our network, we are experiencing greater and more frequent disruption due to adverse weather conditions which impacts our service levels. Severe weather can reduce profits, for example through lower demand for our services, increased costs and business disruption. We have severe weather action plans and procedures to manage the impact on our operations.

The threat from terrorism is enduring and continues to exist. Public transport continues to be regarded as an attractive and viable target. Across our business, we take all reasonable steps to help guard against such activity on the services we operate. An attack, or threat of attack, could lead to reduced public confidence in public transportation, and/or our security and safety record. This could reduce demand for our services, increase costs and security requirements and cause operational disruption.

The company has a Head of Safety who is responsible for improved security awareness, the application of good practice in the implementation of security measures, and the development and training of our employees so that they can respond effectively to any perceived threat or incident.

## **Hull Trains Company Limited**

### **Strategic report**

#### **Principal risks and uncertainties (continued)**

##### **Customer service**

The company's revenues are at risk if it does not continue to provide the level of service expected by customers. Relevant customer facing staff undertake intensive training programmes to ensure they are aware of and abide by the levels of service that are required by our customers. On-going engagement with customers and community stakeholders takes place across the company, including through 'Meet the Manager' events, customer 'mystery shopping', consultations and local partnerships.

##### **Electricity costs**

Electricity prices can be influenced significantly by international, political and economic circumstances. Higher electricity prices could adversely impact the company's operating results. To mitigate the risks of rising electricity costs the company works with its key supplier, Network Rail, to buy electricity at fixed prices. In addition, the company seeks to limit the impact of unexpected electricity price rises through efficiency measures.

##### **Pension scheme funding**

The company primarily participates in a defined benefits pension scheme. Future cash contribution requirements may increase or decrease based on pension scheme investment performance, rates of interest and inflation and estimated life expectancy as well as changes in the underlying membership of the scheme. Other factors, such as changes to the relevant regulatory environments, can affect the pace of cash funding requirements.

The Pensions Regulator (TPR) is in discussion with the Railways Pension Scheme (the Scheme) regarding the assumptions used to determine the Scheme's funding requirements. The possibility remains of changes to contributions that could impact all rail operators sponsoring this industry-wide scheme.

TPR believes that a higher level of funding is required in the longer term.

The company's consultation to close to future accrual its section of the defined benefits pension scheme has not been taken forward. A second consultation is underway to change the benefit structure and close to new members. The 2019 scheme valuation has commenced but any outcome may be dependent on both the TPR's discussions and the current consultation.

##### **Financial risk management objectives and policies**

The company's activities expose it to a number of financial risks including credit risk and cash flow risk. The use of financial derivatives is governed by the company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The company does not enter directly into any derivative financial instruments.

##### **Cash flow and liquidity risk**

The company continues to have an acceptable level of liquidity as, in the rail industry, the vast majority of turnover transactions are paid for in advance.

The company undertakes detailed regular cash re-forecasting processes and considers that the facilities it has access to, and the letter of support provided by FirstGroup plc detailed in the Going Concern section of the Directors' Report on pages 7-8, provide sufficient liquidity to meet its obligations.

##### **Credit risk**

The company's principal financial assets are bank balances, cash and trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

## **Hull Trains Company Limited**

### **Strategic report**

#### **Companies Act 2006 Section 172 Statement**

The directors have a duty to promote the success of the company for the benefit of its members as a whole. The Board understands the need to act fairly between the members of the company when assessing the consequences of a decision over the longer term. The Board believes that its key stakeholders are:

- Customers
- Investors (GB Railways Group Limited and, ultimately, FirstGroup plc)
- Government and political stakeholders
- Our People
- Communities
- Strategic partners and suppliers

The Board believe that strong engagement, collaboration and dialogue are critical to the effectiveness of our long-term relationships with key stakeholders. The Board has adopted the FirstGroup processes, policies and governance structures that are relevant to our business and contributes to their development and refinement.

#### ***Engaging ethically***

In line with our values and the expectations of our customers and partners, we are committed to conducting our relationships with our stakeholders with high ethical and moral standards in all our interactions. Our values and ethical commitment shape not only what we do, but also how we do it.

The company has adopted the FirstGroup Code of Ethics which applies to everybody working for, or on behalf of, the company. The code sets out the standards that our customers and stakeholders expect of us, and which we expect of each other. It is supported by detailed policies and procedures which are implemented and managed by the senior management team, including our Code of Conduct on Anti-Slavery and Human Trafficking Prevention and our Anti-Bribery Policy.

We are committed to recognising human rights. We are committed to the prevention of modern slavery and human trafficking in all its forms, which extends to all business dealings and transactions in which we are involved. We have a zero-tolerance approach to any violations within the company or by business partners.

We have a zero-tolerance approach to bribery, and never offer or accept any form of payment or incentive intended to improperly influence a business decision. Equally, we support free and open competition, gaining our competitive advantage by providing the highest level of service, not through unethical or illegal business practices.

We have internal control systems and procedures in place to counter bribery and corruption. Similarly, we respect and protect the privacy of our customers, employees and stakeholders, and are committed to conducting our business in accordance with all applicable data protection legislation, including the General Data Protection Regulation and the UK Data Protection Act. We have an externally managed whistleblowing service for colleagues available with a helpline (online and phone-based) for the anonymous reporting of suspected wrongdoing or dangers at work. All reported issues or concerns to the hotline are taken seriously and investigated as appropriate, ensuring that confidentiality is respected at all times.

The primary methods in which the company engages with its stakeholders are outlined below:

#### ***Customers***

- Regular customer and passenger satisfaction surveys to identify what we do well and where we can improve
- Robust customer feedback processes through online and traditional channels
- Ongoing dialogue with customer representative groups

#### ***Investors***

- Alignment of strategy and the governance structure to deliver the strategy
- Agreement on budgets and forecasts and the reporting of actual performance

#### ***Government and political stakeholders***

- Engagement with industry forums
- Direct engagement with policymakers
- Strong links with regional governments

## **Hull Trains Company Limited**

### **Strategic report**

**Companies Act 2006 Section 172 Statement (continued)**

#### ***Our People***

- Regular 'Your Voice' employee engagement surveys
- Dialogue with employee representatives, including with the trade unions
- Inductions, onboarding sessions and employee handbooks
- Multiple internal communications channels, including our intranet, briefings, newsletters and our employee mobile apps
- Individual performance reviews and development discussions or Time with Your Manager meetings

#### ***Communities***

- Targeted engagement plans and activities
- Regular dialogue, events and direct engagement activities
- Community investment, charitable engagement and employee volunteering

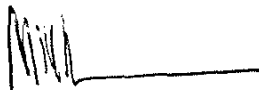
#### ***Strategic partners and suppliers***

- Regular dialogue with key partners, including Network Rail and Hitachi
- Collaboration in cross-industry forums
- Certified systems for collaborative supplier relationships
- Clear ethical and sustainability standards

Below we describe the effect of having regard to Section 172 on the company's decisions and strategies during the financial year:

- Hull Trains continues to closely manage its yield strategy to maximise revenue per train.
- The company remains agile in responding to market events as evidenced by the need to reduce services when demand reduced with the spread of the Omicron variant, as explained in the business review.
- The company relocated its Head Office during July 2021. Still based in Hull and within one mile of the Hull Paragon Train Station the new Head Office provides updated telecoms and IT infrastructure and a modern open plan layout for all functions of its operation.

Approved by the Board of Directors and signed on its behalf by:



M Gilbert  
Director

8 November 2022

The Point, 8th Floor, 37 North Wharf Road, London W2 1AF



## **Hull Trains Company Limited**

### **Directors' report**

The directors have pleasure in submitting their annual report and the audited financial statements for the year ended 31 March 2022. A review of the business and the future developments are set out in the Strategic report, along with the key performance indicators and principal risks and uncertainties.

#### **Directors**

The directors who held office throughout the year and up to the date of signing the financial statements, except as noted, were as follows:

C Burrows  
L Edwards (resigned 12 July 2021)  
D Gibson (appointed 1 October 2021 and resigned 9 September 2022)  
M Gilbert (appointed 13 September 2022)  
A James  
A Mellors

#### **Dividends**

During the year, the company did not declare a dividend to its parent company GB Railways Group Limited (2021: £nil). No final dividend is proposed (2021: £nil).

#### **Employee involvement**

Communication with employees is effected mainly through regular briefing and negotiating meetings between the directors, the senior management and employee representatives on the central and departmental negotiating committees. The briefing meetings enable senior management to consult employees and to ascertain their views on matters likely to affect their interests.

#### **Disabled persons**

The company recognises its obligations to give disabled people full and fair consideration for all vacancies within the statutory medical requirement, which have to be met for certain grades of staff. Wherever reasonable and practicable, the company will retain newly disabled employees and at the same time provide full and fair opportunities for the career development of disabled people.

#### **Engagement with customers, suppliers and other key stakeholders**

The Section 172 report contained within the Strategic report on pages 5 and 6 outlines the primary ways in which the company fosters its business relationships with its key stakeholders.

#### **Future events**

The directors are satisfied with the performance of the company for the year. Future events have been considered by the directors within the Strategic report and can be found on page 1.

#### **Directors' indemnity**

The company's ultimate parent company, FirstGroup plc, has made qualifying third-party indemnity provisions for the benefit of the company's directors which were made during the year and remain in force at the date of this report.

#### **Going concern**

At 31 March 2022 the company had cash at bank and in hand of £2,227k and net liabilities of £(5,030)k. The company is party to a group banking arrangement with its immediate parent company, GB Railways Group Limited, and FirstGroup plc.

The company directors are required to state whether they consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements and identify any material uncertainties to the company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

## **Hull Trains Company Limited**

### **Directors' report**

#### **Going concern (continued)**

##### ***Background for going concern***

The company is a business that provides essential services to the communities it serves. Continuity of transport is proving essential to local communities and many of our customers as the economy recovers from the Coronavirus Pandemic. It will also be critical as the present uncertain situation caused by price inflation is overcome.

Unlike the Department for Transport contracted train operators which received funding from government to maintain essential services for key workers to get to their place of work, and to preserve the ability to restore services quickly when required, the company is dependent on support from its parent company.

As explained in the Strategic report, passenger revenues in the current year recovered to being 39% down against 2020 with further recovery being achieved since 31 March 2022. Although leisure markets have returned strongly, business and commuter markets remain subdued.

The directors used the financial forecasts prepared for business modelling and liquidity purposes as the basis for their assessment of the company's ability to continue as a going concern for the twelve months from the date of the financial statements.

The major assumptions and key areas of judgement incorporated in the modelling included:

- the potential impacts on financial and trading performance given the current economic backdrop; and
- the timing of working capital flows

These financial forecasts assume continued support from FirstGroup plc whilst the business seeks to return to sustained profitability.

Given the extent to which current FirstGroup plc support underpins the business at present levels of passenger demand, it was not considered necessary to run alternative stress tests.

The company is dependent on its ultimate parent company FirstGroup plc for ongoing financial support. This has been taken into account in the going concern assessment for the company (see below).

##### ***Significant going concern judgements***

In using these financial forecasts for the going concern assessment, the company directors have made significant judgements in the passenger revenue forecasts, which are based on leisure demand returning to pre-Covid levels and business demand to 80% of pre-Covid levels.

Coronavirus is expected to continue to impact future events in the near term, although not to the extent it has impacted Hull Trains in previous years.

FirstGroup plc has provided the directors of the company with a letter confirming that it will provide support to the company, such that it is able to meet its obligations for a period of at least 12 months from the date of signing of these financial statements. The directors have made enquiries and understand that the parent company has adequate resources to be able to provide this financial support.

##### ***Going concern statement***

Based on their review of the financial forecasts and having regard to the risks and uncertainties to which the company is exposed the company directors believe that the company has adequate resources to continue in operational existence for the 12 month period from the date on which the financial statements were approved. Accordingly, the financial statements have been prepared on a going concern basis.

## **Hull Trains Company Limited**

### **Directors' report**

#### **Events subsequent to the end of the year**

As disclosed in note 7, the current year includes other operating income of £688k arising from the settlement of restriction of use track access claims and a depot cost compensation claim. The settlement amounts were agreed with Network Rail in July 2022. The company has concluded that the claims constitute adjusting post balance sheet events and has therefore reflected the financial impact in the financial statements for the year ended 31 March 2022. Please refer to note 25 for further information.

#### **Audit information**

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

#### **Independent Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment was passed at FirstGroup plc's Annual General Meeting on 27 July 2022.

Approved by the Board of Directors and signed on its behalf by:



M Gilbert  
Director

8 November 2022

The Point, 8th Floor, 37 North Wharf Road, London W2 1AF

## **Hull Trains Company Limited**

### ***Statement of directors' responsibilities in respect of the financial statements***

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

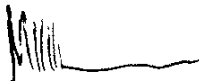
Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

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

Approved by the Board of Directors and signed on its behalf by:



M Gilbert  
Director

8 November 2022

The Point, 8th Floor, 37 North Wharf Road, London W2 1AF

# Independent auditors' report to the members of Hull Trains Company Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Hull Trains Company Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2022; the Profit and loss account, the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

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

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

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

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

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

## Reporting on other information

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

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

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

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

## Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance

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

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

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

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

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

- Obtaining supporting evidence for the significant assumptions and judgements made by management, particularly in respect of pensions accounting;
- Reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations;
- Enquiring with management and those charged with governance to understand the relevant laws and regulations applicable to the company, and their assessment of fraud related risks;
- Identifying and testing journal entries using a risk based targeting approach including unusual account combinations that could impact revenue; and
- Evaluation of management's controls designed to prevent and detect fraudulent financial reporting.

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

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

## **Use of this report**

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

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

## Other required reporting

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

*Victoria Coe*

Victoria Coe (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
8 November 2022



## Hull Trains Company Limited

### Profit and loss account For the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Turnover	5	19,921	2,484
Operating costs	6	(25,294)	(16,016)
Other operating income	7	1,456	3,383
<b>Operating loss</b>		<b>(3,917)</b>	<b>(10,149)</b>
Interest receivable and similar income		-	47
Interest payable and similar expenses		(159)	(46)
Net interest (expense) / income	10	(159)	1
<b>Loss before taxation</b>	11	<b>(4,076)</b>	<b>(10,148)</b>
Tax on loss	12	823	1,868
<b>Loss for the financial year</b>		<b>(3,253)</b>	<b>(8,280)</b>

All activities relate to continuing operations.

### Statement of comprehensive income For the year ended 31 March 2022

	2022 £'000	2021 £'000
Loss for the financial year	(3,253)	(8,280)
Actuarial gain/(loss) due to scheme assets and liabilities	1,583	(759)
Deferred taxation attributable to actuarial gain/(loss)	(199)	144
<i>Other comprehensive income/(expense)/ for the year</i>	1,384	(615)
<b>Total comprehensive expense for the year</b>	<b>(1,869)</b>	<b>(8,895)</b>

# Hull Trains Company Limited

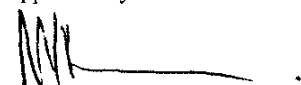
## Balance sheet At 31 March 2022

	Note	2022 £'000	2021 Corrected *
<b>Fixed assets</b>			
Intangible assets	13	53	82
Tangible assets	14	828	475
		881	557
<b>Current assets</b>			
Stocks	15	18	11
Debtors (including £3,661k due after one year (2021: £4,044k due after one year))	16	10,396	7,903*
Cash at bank and in hand		2,227	1,261*
		12,641	9,175
<b>Creditors: amounts falling due within one year</b>	17	(13,288)	(6,234)*
<b>Provisions for liabilities: amounts falling due within one year</b>	19	(25)	-
<b>Net current (liabilities)/assets</b>		(672)	2,941
<b>Total assets less current liabilities</b>		209	3,498
Creditors: amounts falling due after more than one year	17	(3,050)	(3,370)*
Post-employment benefits	23	(2,189)	(3,289)
<b>Net liabilities</b>		(5,030)	(3,161)
<b>Capital and reserves</b>			
Called up share capital	20	-	-
Profit and loss account		(5,030)	(3,161)
<b>Total shareholder's deficit</b>		(5,030)	(3,161)

\* "Debtors" and "Cash at bank and in hand" have been corrected to disclose cash held in a bank account subject to a Charge as other debtors – see note 16.  
 "Creditors: amounts falling due within one year" have been corrected to disclose the amounts falling due after more than one year – see note 17.

The accompanying notes on pages 18 to 32 are an integral part of these financial statements.

These financial statements of Hull Trains Company Limited on pages 15 to 32, registered number 03715410 were approved by the Board of Directors on 8 November 2022 and were signed on its behalf by:



M Gilbert  
Director

## Hull Trains Company Limited

### Statement of changes in equity For the year ended 31 March 2022

	Called up share capital £'000	Profit and loss account £'000	Total £'000
<b>Balance at 1 April 2020</b>	-	5,734	5,734
<i>Loss for the financial year</i>	-	(8,280)	(8,280)
Other comprehensive expense for the year	-	(615)	(615)
Total comprehensive expense for the year	-	(8,895)	(8,895)
<b>Balance at 31 March 2021</b>	-	(3,161)	(3,161)
<i>Loss for the financial year</i>	-	(3,253)	(3,253)
Other comprehensive income for the year	-	1,384	1,384
Total comprehensive expense for the year	-	(1,869)	(1,869)
<b>Balance at 31 March 2022</b>	-	(5,030)	(5,030)

## **Hull Trains Company Limited**

### **Notes to the financial statements**

### **For the year ended 31 March 2022**

#### **1. General information**

Hull Trains Company Limited is a private company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and registered in England. The registered office address is The Point, 8th Floor, 37 North Wharf Road, London W2 1AF. The nature of the company's operations and its principal activities are set out in the Strategic report on page 1.

#### **2. Statement of compliance**

The financial statements of Hull Trains Company Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

#### **3. Principal accounting policies**

The following accounting policies have been applied consistently throughout the current and preceding year.

##### **(a) Basis of preparation**

These financial statements are prepared on a going concern basis, under the historical cost convention, modified to include certain items at fair value in accordance with FRS 102.

The functional currency of Hull Trains Company Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

##### **(b) Going concern**

The company currently meets its day-to-day working capital requirements through its bank facilities and support from its ultimate parent, FirstGroup plc. The company's business modelling forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company is able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

##### **(c) Exemptions for qualifying entities under FRS 102**

The company meets the definition of a qualifying entity under FRS102 and has therefore taken advantage of the disclosure exemptions in relation to share-based payments, financial instruments, intra-group transactions, key management personnel and presentation of a cash flow statement.

The company is included in the consolidated financial statements of FirstGroup plc which can be obtained on request from its registered office 395 King Street, Aberdeen AB24 5RP.

##### **(d) Tangible and intangible fixed assets**

Tangible and intangible fixed assets are stated at cost, net of depreciation/amortisation and any provision for impairment. Depreciation/amortisation is provided to write off the cost less residual value of fixed assets over their estimated useful economic lives:

Leasehold improvements – 12 years straight-line  
Other plant and equipment – 3 to 8 years straight-line  
Computer software – 3 to 5 years straight-line

Assets under construction are stated at cost. These assets are not depreciated until they are available for use.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

**Hull Trains Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 March 2022**

**3. Principal accounting policies (continued)**

**(e) Impairment of investments and tangible fixed assets**

At each balance sheet date, the company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

**(f) Leases and hire purchase**

All leases are operating leases and the rental charges are taken to the profit and loss account on a straight-line basis over the life of the lease.

**(g) Stocks**

Stocks are valued at the lower of cost and net realisable value. Provision is made for obsolete and slow moving or defective items where appropriate.

**(h) Taxation**

UK corporation tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The taxation liability is reduced wholly or in part by the surrender of losses by group undertakings. The tax benefits arising from group relief are recognised in the financial statements of the surrendering undertaking.

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**(i) Financial assets and liabilities**

All financial assets and liabilities are measured at transaction price (including transaction cost). All the financial assets and liabilities are classified as 'basic' under Section 11 and Section 12 of FRS 102. Instruments classified as 'basic' financial instruments are measured subsequently at amortised cost using the effective interest method.

**(j) Impairment of financial assets**

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

**Hull Trains Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 March 2022**

**3. Principal accounting policies (continued)**

**(k) Turnover**

Turnover (Revenue) is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business and is shown net of VAT where appropriate.

**Passenger revenue**

The company has one principal class of business, namely, the provision of passenger transport services. Passenger revenues primarily relate to ticket sales and is attributable to the company predominantly based on models of route usage, by the Railway Settlement Plan. Passenger revenue is recognised at both a point in time and over time. Ticket sales for season tickets, travel cards and open-return tickets are initially deferred then recognised over the period covered by the relevant ticket. Concessionary amounts are recognised in the period in which the service is provided.

**Other Revenue**

The company recognises other revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the company retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity; and (e) when the specific criteria relating to the each of company's sales channels have been met.

Turnover from non-passenger receipts include commission on ticket sales and other sundry income.

**(l) Future ticket deferral**

Where season tickets or railcards are issued in excess of one week's duration, the attributable share of income is deferred within creditors and is recognised in the profit and loss account over the period covered by the season ticket or railcard. Income from advanced purchase and other ticket types is recognised in the profit and loss account on the date of travel.

**(m) Government grants**

Government grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to revenue are recognised in "other operating income" within profit or loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme ('Furlough'), and where the CJRS income is recognised in the period in which the relevant staff costs are incurred, based on the terms and conditions set out by the UK government. The company has not directly benefited from any other forms of government assistance.

**(n) Share-based payments**

The company's parent issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of share that will eventually vest and is adjusted for the effects of non-market based vesting conditions.

Fair value is measured by use of a Black-Scholes model or other appropriate valuation models. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

# **Hull Trains Company Limited**

## **Notes to the financial statements**

### **For the year ended 31 March 2022**

#### **3. Principal accounting policies (continued)**

##### **(o) Pension costs**

###### **Company specific schemes**

The company participates in a defined benefit scheme which is held in separately administered funds. The amounts charged to operating profit regarding the defined benefit scheme are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost on the net pension scheme liability is shown in net interest receivable/(payable). Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

Pension scheme assets are measured at fair values 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 actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The latest valuation was received in June 2018 for the three years ended 31<sup>st</sup> December 2016. The December 2019 scheme valuation has commenced but any outcome may be dependent on both the TPR's discussions and the closure consultation as disclosed in the Principal risks and uncertainties section of the Strategic report. The resulting defined benefit asset or liability is presented separately after other assets on the face of the balance sheet.

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### **4. Critical accounting judgements and key sources of estimation uncertainty**

In the process of applying the company's accounting policies as described above, management have made the following judgements that have the most significant effect on the amounts recognised in the financial statements. There are no key sources of estimation uncertainty.

##### **Defined benefit pension arrangements**

The defined benefit pension obligations are discounted at a rate set by reference to market yields at the end of the reporting period on high-quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. Management follows actuarial advice from a third party when determining these judgements. We take specialist advice on this from our actuarial advisors which aims to consider the likely experience taking into account each scheme's characteristics. Our approach is to review these assumptions following completion of their funding valuations, and more frequently only if appropriate to do so.

The carrying amount of the company's retirement benefit obligations at 31 March 2022 was a liability of £2,189k (2021: £3,289k). Further details are set out in note 23.

**Hull Trains Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 March 2022**

**5. Turnover**

Turnover represents the amounts receivable for services supplied to customers during the year and includes amounts receivable for tendered services and concessionary fare schemes. The turnover derives from the company's principal activity within the United Kingdom. The company has one principal class of business, namely, the provision of passenger transport services. Other revenue includes commission on ticket sales and other sundry income.

Turnover can be analysed as follows:

	2022 £'000	2021 £'000
<b>Turnover:</b>		
Passenger revenue	19,341	2,440
Catering income	5	-
Commission from ticket sales	43	9
Other income	532	35
	<u>19,921</u>	<u>2,484</u>

**6. Operating costs**

	2022 £'000	2021 £'000
Raw materials and consumables	615	107
Staff costs (note 8)	6,171	5,451
Other external charges	18,408	10,361
Depreciation	59	56
Amortisation	41	41
	<u>25,294</u>	<u>16,016</u>

**7. Other operating income**

	2022 £'000	2021 £'000
Government Coronavirus Job Retention Scheme	188	2,131
Restriction of use claims	688	1,252
Other income	580	-
	<u>1,456</u>	<u>3,383</u>

The current year includes other operating income of £688k (2021: £1,252k) arising from the settlement of restriction of use compensation claims. Other income of £580k (2021: £nil) results from various recharges to fellow group undertakings.



**Hull Trains Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 March 2022**

**8. Employee numbers and costs**

The average number of persons employed by the company (including directors) during the year was as follows:

	<b>2022</b>	<b>2021</b>
	<b>No.</b>	<b>No.</b>
Operations	83	97
Administration	16	18
	<u>99</u>	<u>115</u>

The aggregate payroll costs of these persons were as follows:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	4,734	4,420
Social security costs	541	438
Other pension costs (note 23)	896	593
	<u>6,171</u>	<u>5,451</u>

**9. Directors' remuneration**

Three directors received remuneration from other group companies in the current year (2021: three), details of which are disclosed in their financial statements. It is not considered practicable to allocate this between services provided to those companies, and services provided in their capacity as directors to Hull Trains Company Limited.

The remuneration of the other directors was as follows:

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments (excluding pension contributions)	182	140
Company pension contributions	16	19
	<u>198</u>	<u>159</u>

Directors' emoluments include salary, fees, bonuses, sums paid by way of expense allowances subject to UK income tax and the money value of other non-cash benefits and exclude share options, company pension contributions and payments made under long-term incentive schemes.

Retirement benefits accrued to one director (2021: one) under a defined benefit scheme.

**10. Net interest (expense) / income**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Interest receivable and similar income</b>		
Amount received from other group undertakings	-	47
<b>Interest payable and similar expense</b>		
Amount paid to other group undertakings	(106)	-
Net interest on defined benefit liability	(53)	(46)
	<u>(159)</u>	<u>1</u>

**Hull Trains Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 March 2022**

**11. Loss before taxation**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Loss before taxation is stated after charging:		
Auditors' remuneration for audit of the annual financial statements	21	29
Depreciation charge on own assets	59	56
Amortisation charge on intangible assets	41	42
Rentals payable under operating leases		
- plant and machinery	4,754	4,558
- other operating leases	80	97
	<u>4,884</u>	<u>4,722</u>

No other services were provided by PricewaterhouseCoopers LLP during 2022 or in the prior year.

**12. Tax on loss**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current taxation</b>		
- Group relief receivable	(703)	(1,906)
- Adjustment in respect of prior years	4	66
Total current taxation	<u>(699)</u>	<u>(1,840)</u>
<b>Deferred taxation</b>		
- Origination and reversal of timing differences	(103)	(21)
- Impact on deferred tax arising from rate change	(18)	-
- Adjustment in respect of prior years	(3)	(7)
Total deferred taxation	<u>(124)</u>	<u>(28)</u>
Total tax credit	<u>(823)</u>	<u>(1,868)</u>

The standard rate of taxation for the year, based on the UK standard rate of corporation tax, is 19% (2021: 19%).

In the Spring Budget the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Legislation increasing the rate to 25% was substantively enacted on 24 May 2021 and deferred tax has been provided for at 25% for timing differences expected to unwind after 1 April 2023.

During the year beginning 1 April 2022, the net reversal of deferred tax assets is expected to decrease the charge to corporation tax for the year by £9,000, mainly due to depreciation and capital allowances.

**Hull Trains Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 March 2022**

**12. Tax on loss (continued)**

The tax credit for the current and previous year differed from the standard rate for the reasons set out in the following reconciliation:

	<b>2022</b> <b>£'000</b>	<b>2021</b> <b>£'000</b>
Loss before taxation	(4,076)	(10,148)
Loss multiplied by the standard rate of Corporation Tax in the UK of 19% (2021: 19%)	(774)	(1,928)
Factors affecting charge		
- Expenses not deductible for tax purposes	-	1
- Tax relief on employee share scheme	(7)	-
- Prior year adjustments	1	59
- Impact on deferred tax arising on opening balances arising from rate change	(18)	-
- Impact of rate change on current year movements in deferred tax	(25)	-
Total tax credit	<u>(823)</u>	<u>(1,868)</u>

**13. Intangible assets**

	<b>Computer software</b> <b>£'000</b>	<b>Assets under construction - other</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
<b>Cost</b>			
At 1 April 2021	165	-	165
Additions	-	12	12
At 31 March 2022	<u>165</u>	<u>12</u>	<u>177</u>
<b>Accumulated amortisation</b>			
At 1 April 2021	83	-	83
Charge for year	41	-	41
At 31 March 2022	<u>124</u>	<u>-</u>	<u>124</u>
<b>Net book value</b>			
At 31 March 2022	<u>41</u>	<u>12</u>	<u>53</u>
At 31 March 2021	<u>82</u>	<u>-</u>	<u>82</u>

Computer software is recognised separately as an intangible asset and is carried at cost less accumulated amortisation. Costs include software licences, website development, costs attributable to the development, design and implementation of the computer software and internal costs directly attributable to software.

**Hull Trains Company Limited**  
**Notes to the financial statements**  
**For the year ended 31 March 2022**

**14. Tangible assets**

	<b>Leasehold improvements £'000</b>	<b>Other plant and equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 April 2021	-	926	926
Additions	412	0	412
Transfer between classes	327	(327)	-
Disposals	(231)	(52)	(283)
At 31 March 2022	<u>508</u>	<u>547</u>	<u>1,055</u>
<b>Accumulated depreciation</b>			
At 1 April 2021	-	451	451
Charge for year	4	55	59
Transfer between classes	231	(231)	-
Disposals	(231)	(52)	(283)
At 31 March 2022	<u>4</u>	<u>223</u>	<u>227</u>
<b>Net book value</b>			
At 31 March 2022	<u>504</u>	<u>324</u>	<u>828</u>
At 31 March 2021	<u>-</u>	<u>475</u>	<u>475</u>

**15. Stocks**

	<b>2022 £'000</b>	<b>2021 £'000</b>
Spare parts and consumables	<u>18</u>	<u>11</u>
	<u>18</u>	<u>11</u>

**16. Debtors**

	<b>2022 £'000</b>	<b>2021 £'000 Corrected</b>
Trade debtors	2,101	91
Amounts owed by group undertakings	2,018	1,643
Deferred tax asset (note 18)	601	676
Other debtors	5,635	5,488
Prepayments and accrued income	41	5
	<u>10,396</u>	<u>7,903</u>

Amounts owed from group undertakings are unsecured, repayable on demand and do not attract interest.

Other debtors have been corrected in the prior year to include restricted cash which is subject to a Charge held by a third party of £4,044k (previously reported as £1,444k). Other debtors in the current year includes restricted cash which is subject to a Charge held by a third party of £4.203k of which £3,661k is due after more than one year.

**Hull Trains Company Limited**  
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**17. Creditors**

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
		<b>Corrected</b>
<b>Amounts falling due within one year</b>		
Trade creditors	3,027	639
Amounts owed to group undertakings	6,208	4,095
Taxation and social security	136	83
Other creditors	443	295
Accruals and deferred income	3,474	1,122
	<u>13,288</u>	<u>6,234</u>

Amounts owed to group undertakings are unsecured, repayable on demand and do not attract interest.

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
		<b>Corrected</b>
<b>Amounts falling due after more than one year</b>		
Accruals and deferred income	3,050	3,370
	<u>3,050</u>	<u>3,370</u>

Accruals and deferred income have been corrected in the prior year to separately disclose the amount falling due after more than one year. This is in respect of rentals payable under operating leases for plant and machinery.

**18. Deferred tax**

	<b>£'000</b>
At 1 April 2021	676
Credited to the profit and loss account	124
Movement in other comprehensive income	(199)
At 31 March 2022	<u>601</u>

The deferred tax asset consists of the following amounts

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation in excess of capital allowances	51	47
Other timing differences	3	4
Pension	547	625
Included in debtors (note 16)	<u>601</u>	<u>676</u>

**Hull Trains Company Limited**  
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**19. Provisions for liabilities: amounts falling due within one year**

	<b>Legal and other £'000</b>	<b>Total £'000</b>
At 1 April 2021	-	-
Charged to profit and loss account	25	25
Utilised during the year	-	-
	<hr/>	<hr/>
At 31 March 2022	25	25
	<hr/>	<hr/>

Provisions for liabilities falling due within one year relate to insurance claims.

**20. Called up share capital**

	<b>2022 £</b>	<b>2021 £</b>
<b>Authorised</b>		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>

The shares carry no right to fixed income nor confer any rights of redemption.

**21. Operating lease commitments**

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods are as follows:

	<b>2022</b>		<b>2021</b>	
	<b>Land and buildings £'000</b>	<b>Other £'000</b>	<b>Land and buildings £'000</b>	<b>Other £'000</b>
Less than one year	95	5,215	22	4,635
Between one and five years	344	20,822	-	20,823
Over five years	550	14,315	-	19,520
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	989	40,352	22	44,978
	<hr/>	<hr/>	<hr/>	<hr/>

**22. Contingent liabilities**

The company has no contingent liabilities at the reporting date (2021: nil).

# **Hull Trains Company Limited**

## **Notes to the financial statements**

### **For the year ended 31 March 2022**

#### **23. Post-employment benefits**

##### **Pension schemes**

##### **Defined contribution scheme**

The company operates a defined contribution retirement benefit scheme for all qualifying employees. The total expense charged to the profit and loss account in the year ended 31 March 2022 was £60k (2021: £41k). No prepayment or accrual was made for defined contribution payments.

##### **Defined benefit scheme**

The Hull Trains Company Limited shared cost section of the Railways Pension Scheme was established on 1 June 2011.

As described in the Strategic report on page 1, the company is consulting on benefit reforms and closure to new members to its defined benefit scheme.

A full actuarial valuation of the section was last performed at 31 December 2016 by independent actuaries. The December 2019 valuation is underway but not completed.

The actuarial assumptions used in determining the 2016 valuation were that the rate of return on investments will be 5.99% per annum, the rate of earnings increase will be 3.0% per annum and the rate of inflation (RPI/CPI) will be 3.0%/2.0% per annum. The valuation was made using the projected unit method and showed a funding shortfall at that time of £337,000. The funding shortfall has been addressed in the schedule of cash contributions. All eligible employees are offered membership of the Railways Pension Scheme.

Under the terms of the scheme, any fund deficit or surplus is shared by the employer (60%) and the employees (40%).

The actuarial valuation was updated at 31 March 2022. At this date, the market value of the scheme's assets totalled £13,450k (31 March 2021: £12,163k). The actuarial value of these assets was sufficient to cover 79% (31 March 2021: 69%) of the benefits, which had accrued to the scheme's members.

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 company's finances by independent investment managers appointed by the trustees of the scheme. The current contribution rate is 10.12% for employees (2021: 10.12%) and 15.18% for the employer (2021: 15.18%).

The main financial assumptions used in this update were as follows:

	<b>31 March 2022</b>	<b>31 March 2021</b>
Rate of increase in salaries	3.43%	3.05%
Rate of increase of pensions in payment	2.93%	2.55%
Rate of increase of pensions in deferment	2.93%	2.55%
Discount rate	2.83%	2.05%
Inflation assumption – RPI	3.30%	3.05%
Inflation assumption – CPI	2.93%	2.55%

##### **Mortality assumptions**

The assumptions made for current mortality reflect broadly the current experience. This takes into account size of pension and geographic location. An allowance is made for future improvements, based on information currently available on mortality trends. The post-retirement mortality (life expectancy in years) current rate for pensioners at 65 is 20.6 years (2021: 20.4 years). Future pensioners at aged 65 (45 now), will have a rate of 22.1 years (2021: 21.9 years). There has been no change in these rates over the last 12 months.

**Hull Trains Company Limited**  
**Notes to the financial statements**  
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**23. Post-employment benefits (continued)**

**Asset allocation**

An analysis of scheme assets at the balance sheet date is as follows:

	<b>31 March 2022 £'000</b>	<b>Value 31 March 2021 £'000</b>
Bonds	2,591	1,360
Property	1,403	897
Cash	9	96
Cash Plus	9,447	9,191
Private Equity	-	619
	<u>13,450</u>	<u>12,163</u>

"Cash Plus" is a growth fund, which invests in different return seeking assets including equities.

**Reconciliation of movements (prior year)**

	<b>Assets £'000</b>	<b>Liabilities £'000</b>	<b>Shared cost £'000</b>	<b>Net £'000</b>
<b>Balance sheet at 1 April 2020</b>	10,093	(13,948)	1,542	(2,313)
<b>Profit and loss account</b>				
Operating				
- Service cost	-	(791)	317	(474)
- Past service gain	-	-	-	-
- Administration cost	-	(58)	23	(35)
Total Operating cost	-	(849)	340	(509)
Financing	245	(321)	30	(46)
<b>Total profit and loss account</b>	245	(1,170)	370	(555)
<b>Amounts paid to / from scheme</b>				
Employer contributions	338	-	(135)	203
Employee contributions	225	-	(90)	135
Benefits paid/(received)	(431)	431	-	-
<b>Total</b>	132	431	(225)	338
<b>Expected closing position</b>	<u>10,470</u>	<u>(14,687)</u>	<u>1,687</u>	<u>(2,530)</u>
<b>Gains / losses</b>				
Change in financial assumptions	-	(4,194)	1,678	(2,516)
Change in demographic assumptions	-	860	(344)	516
Return on assets in excess of discount rate	1,693	-	(677)	1,016
Experience	-	376	(151)	225
<b>Total</b>	1,693	(2,958)	506	(759)
<b>Balance sheet at 31 March 2021</b>	<u>12,163</u>	<u>(17,645)</u>	<u>2,193</u>	<u>(3,289)</u>



**Hull Trains Company Limited**  
**Notes to the financial statements**  
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**23. Post-employment benefits (continued)**  
**Reconciliation of movements (current year)**

	<b>Assets £'000</b>	<b>Liabilities £'000</b>	<b>Shared cost £'000</b>	<b>Net £'000</b>
<b>Balance sheet at 1 April 2021</b>	12,163	(17,645)	2,193	(3,289)
<b>Profit and loss account</b>				
Operating				
- Service cost	-	(1,136)	454	(682)
- Past service gain	-	-	-	-
- Administration cost	-	(207)	83	(124)
<b>Total Operating cost</b>	-	(1,343)	537	(806)
Financing	258	(347)	36	(53)
<b>Total profit and loss account</b>	258	(1,690)	573	(859)
<b>Amounts paid to / from scheme</b>				
Employer contributions	377	-	(151)	226
Employee contributions	250	-	(100)	150
Benefits paid/(received)	(510)	510	-	-
<b>Total</b>	117	510	(251)	376
<b>Expected closing position</b>	12,538	(18,825)	2,515	(3,772)
<b>Gains / losses</b>				
Change in financial assumptions	-	1,794	(718)	1,076
Change in demographic assumptions	-	-	-	-
Return on assets in excess of discount rate	912	-	(365)	547
Experience	-	(67)	27	(40)
<b>Total</b>	912	1,727	(1,056)	1,583
<b>Balance sheet at 31 March 2022</b>	13,450	(17,098)	1,459	(2,189)

**Hull Trains Company Limited**  
**Notes to the financial statements**  
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**24. Share based payments**

**Save as you earn (SAYE)**

The group operates an HMRC approved savings related share option scheme. The scheme is based on eligible employees being granted options and their agreement to opening a sharesave account with a nominated savings carrier and to save weekly or monthly over a specified period. Sharesave accounts are held with Computershare. The right to exercise the option is at the employee's discretion at the end of the period previously chosen for a period of six months. Details of the share options outstanding during the year are disclosed in the published financial statements for FirstGroup plc.

**Buy as you earn (BAYE)**

BAYE enables eligible employees to purchase shares from their gross income. The company provides two matching shares for every three shares bought by employees, subject to a maximum company contribution of shares to the value of £20 per employee per month. If the shares are held in trust for five years or more, no income tax and national insurance will be payable. The matching shares will be forfeited if the corresponding partnership shares are removed from trust within three years of award.

The group has allocated the expense amongst its trading subsidiary undertakings based on the number of employees participating in the scheme. The company has recognised a total expense of £nil (2021: £nil) relating to equity-settled share-based payment transactions.

**25. Events subsequent to the end of the year**

As disclosed in note 7, the current year includes other operating income of £688k arising from the settlement of restriction of use track access claims and a depot cost compensation claim. The settlement amount was agreed with Network Rail in July 2022. The company has concluded that the claim constitutes an adjusting post balance sheet event and has therefore reflected the financial impact in the financial statements for the year ended 31 March 2022.

**26. Ultimate parent company and controlling party**

The directors regard FirstGroup plc, a company incorporated in the United Kingdom and registered in Scotland, as the ultimate parent and controlling company, which is the smallest and largest group that includes the company's results and for which group financial statements are prepared.

The company's immediate controlling party is GB Railways Group Limited.

Copies of the financial statements of FirstGroup plc can be obtained on request from The Point, 37 North Wharf Road, London W2 1AF.