Registered number: 07897267

Trenitalia c2c Limited

Annual report and financial statements

for the 15 month period ended 31 March 2022

Registered office:

Cutlers Court
115 Houndsditch
London
England
EC3A 7BR

Trenitalia c2c Limited

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Trenitalia c2c Limited

Strategic report

The Directors present their strategic report for the 15 month period ended 31 March 2022. The current financial period was extended to 31 March 2022 and therefore the prior year comparatives represent the year ended 31 December 2020.

Principal activities

The principal activity of Trenitalia c2c Limited (the Company or c2c) is the operation of the Essex Thameside contract to run passenger railway services between London Fenchurch Street and Shoeburyness in Essex. This contract has been awarded for the period to 24 July 2023 under the terms of the National Rail Contract (NRC) commencing 25 July 2021. Prior to the commencement of this contract c2c operated under a franchise agreement with the Department for Transport (DfT), from 9 November 2014 to 24 July 2021, with an original end date of 11 November 2029.

The company extended the current financial period to 31 March 2022, in order that the financial year-end going forward aligns with the rail year-end as set out by Network Rail.

Review of business and future developments

c2c remains one of the best performing UK train operating companies for punctuality with an annual average Public Performance Measure of 95.2% (2020: 96.3%).

After a difficult 2020, the current period profit of £142,516k was primarily attributable to the loans owed by the company to Ferrovie Dello Stato Italiane SpA (£145,253k including interest accrued) being written off.

In line with the wider UK rail industry, passenger volumes in our businesses continue to recover steadily after the coronavirus pandemic however demand remains behind pre-covid levels (c82% of pre-pandemic levels)

The industry is going through a period of significant change, with pressure to ensure the industry can sustain itself without continuing to burden taxpayers. We engage proactively with industry partners to deliver a railway that is fit for purpose for the post pandemic world and meets the standards expected of our customers and communities.

Key risks and uncertainties

The Company is subject to internal and external risk factors. External risks include general economic conditions, central London growth, competitor activity and regulatory changes, in addition to the continued impact to recovery of the UK rail industry post COVID. Internal risks include failure to deliver the contractual business plan commitments of the NRC, failure of internal controls, IT Infrastructure, data protection, regulatory compliance, operating accidents, structural problems on stations and industrial disputes.

Under the terms of the NRC, predominantly all revenue and cost risks are borne by DfT. The terms of the NRC require c2c to manage within a cost budget. A management fee is payable to c2c, a portion of which is fixed and a portion of which is based on performance against agreed targets. The directors expect c2c to make a profit in each year of operation, although the terms of the NRC require a bond to be in place against early termination and a drawdown facility to be made available to c2c (50% bonded) if needed. The directors do not expect this facility to be utilised, or the bonds to be called.

Key performance indicators

Train service performance has decreased slightly throughout 2021-22 with the Moving Annual Average (MAA) for Public Performance Measure ('PPM') being 95.2% compared to 96.3% in 2020. OT3 (trains arriving within three minute of timetabled arrival) punctuality has remained flat at 95.3% in 2021-22 versus 95.4% in 2020. ON (training arriving on time) has increased steadily from 20.0% in 2020 to 24.7% in 2021-22.

Environment

c2c provides passenger rail services with lower carbon emissions compared to many other forms of transport. Being a public transport company, we are proactive in reducing our emissions through a series of low carbon sustainable, innovative transport improvement plans.

The company is committed to managing and reducing the impact our operations have on the environment. We maintain environmental and energy targets, along with identifying and implementing best practice across the company.

Following on from the completion of photovoltaic panels in 2019 and 2020, we have completed a program of LED lighting installation as well as rolling out a program of installing automatic meters. Funding has been secured with DfT to continue the photovoltaic panel program into 2022.

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Strategic report

We continue to maintain our ISO14001 Environmental Management System and ISO50001 Energy Management System as well as introducing ISO55001Asset Management System. All systems have been certificated by LRQA as an independent UKAS accredited certification body.

Economic conditions

Whilst revenue risk is now borne by DfT, the outlook for post-pandemic recovery remains uncertain. We are not immune to the inflation pressures currently being seen in the greater economy. As in previous years, c2c will undertake proactive cost control and implement revenue protection.

Going concern

The 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.

Background for going concern

The Company is a business that provides essential services to the communities it serves. Continuity of transport was considered essential to governments, local communities, and many of our customers during the coronavirus pandemic. It continues to be considered critical to the economic recovery. The funding received from government to sustain services through the emergency contracts, and subsequently the NRC is testament to the importance of our offering to those we serve.

As the rail industry recovers from the effects of the coronavirus pandemic, we continue to work closely with government to deliver a service that matches the needs of our customers. The government continue to recognise the need to provide funding to maintain this essential service.

The rate of recovery and any further impact of the coronavirus pandemic, on the wider economy and the transport sector within the market in which the business operates, remains unclear. Under the NRC the government takes predominantly all revenue, cost and capital risk and pays a fixed and a performance-based fee.

Going concern assessment

The directors used the financial forecasts prepared for business modelling and liquidity purposes in addition to the financial forecasts prepared as part of the annual business cycle with DfT 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:

- Recovery of revenues in line with current travel patterns and industry research;
- the terms of the NRC to 24 July 2023 and the potential terms of any management contract or extension to the NRC for a further two years following this (the option of an extension is at the sole discretion of DfT); and
- the timing of working capital flows

These financial forecasts assume a continued gradual return in passenger revenues, which has been experienced so far in 2022. Off peak leisure travel has shown very strong growth with commuter travel recovering slowly as new hybrid working replaces pre covid travel patterns.
Given that c2c no longer takes revenue risk, it was not considered necessary to run alternative stress tests.

Intercompany loans related to the old Franchise Agreements have been waived by the owning group, returning the company to a positive equity position.

Trenitalia c2c Limited

Strategic report

Significant going concern judgements

We have forecasted revenues and costs for the four years of the contract using estimates and judgements, and with reference to the DfT's affordability constraints. Given that the NRC contract transfers predominantly all revenue and cost risk to DfT, there are no concerns arising from these forecasting estimates and judgements.

Going concern statement

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

Since March 2020 the Company's operations have been impacted by the COVID-19 pandemic and the Company operated under emergency agreements with Department for Transport (DFT), firstly the Emergency Measures Agreement (EMA) and from September 2020, the Emergency Recovery Measures Agreement (ERMA), which was then replaced in July 2021 with the National Rail Concession (NRC). The NRC passes full revenue and cost risk to the DFT, save for a small portion of disallowable costs. The Company is also entitled to earn a management fee and performance fee.

The current National Rail Concession (NRC) contract runs for 2 years from 25th July 2021 and is expected to be profitable for its duration. It can be extended for a further two years at the discretion of the DFT. The NRC contract is similar to the ERMA, with the Company earning a fixed management fee and variable performance fee. DFT have full revenue risk and a cost budget has been agreed for the year ended 31 March 2023. Each subsequent year requires a business plan and cost budget to be agreed. Ongoing long-term forecasts are provided to DfT quarterly. The NRC requires a contingent facility to be in place with Ferrovie Dello Stato Italiane Spa to cover any costs incurred outside the normal operating costs of the business as set out in the NRC which would not be covered by the DFT. The Directors do not expect that this facility will be used as active cost control measures will prevent any significant disallowable costs being incurred.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements on the assumption that the NRC continues in operation. These forecasts indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds to be able to settle its debts as they fall due.

All provisions have been recognised in relation to termination of contracts associated with the old franchise arrangement which was due to expire in 2029. As part of the termination of the ERMA/Franchise agreement contract in July 2021,c2c's parent company provided funding through loans to enable c2c to make payments to the DFT. During the year ended 31 March 2022 Ferrovie Dello Stato Italiane Spa waived the loan which had been made to c2c (Note 22).

The NRC is due to expire in July 2023 so if the DFT decides not to extend the NRC and awards the operation of the railway line to another operating company then Trenitalia C2C Limited may cease to have a trade at that date. The extension of the contract is outside of the Directors' control and therefore this constitutes a material uncertainty over whether the Company can continue to trade for the foreseeable future. While the extension or replacement of the NRC is outside the directors' control, considering the good operational performance of the railway under c2c's management and the current discussions with DfT, c2c expect the NRC to be extended. As the directors expect c2c to continue to operate the railway beyond the current expiry date in July 2023 under the extension of the NRC, the directors consider it appropriate to continue to prepare the financial statements on a going concern basis.

Based on the above, the directors believe it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern and, therefore, that the company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Section 172 Statement

The directors of the Company meet every four weeks to review and conclude key business decisions such as capital investment. Additional meetings are scheduled as required. The executive team have had daily contact with the senior management team to ensure operational matters are addressed promptly. When taking decisions regarding investment

Strategic report

opportunities in fixed assets, the directors consider the long-term plans for the business. There are regular meetings held with the DfT, and prior approval is sought before committing to any unbudgeted spend.

The directors review the impacts of key decisions on all key stakeholders of the business to ensure the interests of customers, suppliers, employees, and shareholders as well as the wider community are considered. The directors aim to treat all parties fairly in their dealings with them. Notably, the impacts of COVID 19 have required some significant changes to operational activities. The directors and senior management team focussed on maintaining a safe environment for employees at work and customers whilst travelling. The directors ensured that suppliers continued to be paid in accordance with normal payment terms.

For and on behalf of the Board

P Leney
Finance Director
6 October 2022

Registered Office:
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115 Houndsditch
London
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Trenitalia c2c Limited

Directors' report

The Directors present their annual report and financial statements for the period ended 31 March 2022.

Directors

The Directors of Trenitalia c2c ('the Company'), who served throughout the year, and to the date of this report unless otherwise stated are listed below:

Name of Directors

R Bowley	(Resigned 31 March 2021)
E Sicilia	
R Taylor	(Resigned 26 November 2021)
L McEwen	
B Ackroyd	(Resigned 18 March 2022)
C McCaffrey	
P Leney	(Appointed 26 November 2021)
R Mullen	(Appointed 16 May 2022)

Company secretary

R Taylor	(Appointed 31 March 2021)
R Bowley	(Resigned 31 March 2021)

Results and dividend

The profit for the period after taxation amounted to £142,516k (2020: loss of (£114,739k)).

No dividend (2020 - £nil) has been declared or proposed as the final dividend.

Political Donations

The Company made no political donations or incurred any political expenditure during the year (2020: £nil).

Directors' liabilities

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of approving the Directors' Report.

None of the directors had any interest in the issued share capital of the Company.

The Company's Articles of Association include a provision indemnifying the Directors to the extent allowed under the Companies Act 2006.

Employees

It's been another busy year in Trenitalia c2c Ltd in respect of our people. We are still emerging from the pandemic and are now in the process of going through reform in line with the rest of the industry to improve the long term financial sustainability of the industry. Some areas of reform have provoked industry unrest with our Trades Union colleagues and there have been national RMT rail strikes both within Network Rail and the Train Operating Companies. We have also been balloted by TSSA who also received the mandate to strike and to take action short of a strike on c2c, we are currently awaiting their notice of Industrial Action. Unlike many other TOCs our train driver's union are not balloting for industrial action as our train drivers received a pay award in 2022 which was the 5th and final year of a pre-agreed deal. We are working closely with the industry to assist with reform areas in order that industry wide agreement can be found with the TUs.

Despite the unrest we continue to invest in our people, our management grade employees are currently undertaking management development with a company called T3. Diversity and Inclusion training continues across the company with 78% now having completed the training.

In respect of Diversity and Inclusion we have refreshed our strategy and continue to work towards our plan. Increasing our KPIs at the moment is a challenge as we have scaled back recruitment in the frontline roles due to the industry reforms. We are working with schools to attract people into the industry at a younger age, we have also commenced apprenticeships for train drivers which has been successful and has helped us to increase diversity in our train driving and shunter grades. The D&I forum continues to meet and is currently focused on our very first 'Trainbow' which is the launch of one of our trains wrapped in the pride colours. We have put together a video of several employees from across the business talking about what Diversity and Inclusion at c2c means to them.

We continue to review the organisational structures across the business to ensure we are sufficiently resourced to deliver the National Rail Contract commitments as well as focusing on future needs. Due to the lack of pay increases and substantive bonuses over the last couple of years we are experiencing a high turnover of employees which is causing us challenges as the salaries we are offering is making it difficult to replace leavers in a number of areas. This, in turn is putting workload pressure on those remaining in the business.

In terms of employee engagement in addition to our Star of the Month initiative, we have launched an 'On the Spot rewards' scheme. This is to reward employees who have gone over and above their day jobs. Finally, to assist employees with the cost of living crisis we are posting articles on our intranet site signposting them to websites that can offer them help and advice in the area of personal finances.

Supplier payment policy

It is the Company's policy to agree terms of payment prior to commencing trade with any supplier and to abide by those terms based on the timely submission of invoices.

Environmental Reporting

Overview

c2c provides passenger rail services with low carbon emissions compared to many other forms of transport. Being a public transport company, we are constantly looking at reducing our emissions through a series of low carbon sustainable, innovative transport improvement plans. Our services make an important contribution in reducing carbon emissions from travel because trains produce fewer emissions per passenger kilometre than other forms of transport such as car or air travel. A series of carbon reduction programs linked to energy use in buildings, effective waste management and the broader supply chain supports this and addresses our carbon emissions.

The Company is committed to managing and reducing the impact our operations have on the environment. As such we have environmental and energy targets, along with identifying and implementing best practices across the Company.

These systems are accredited by LRQA as a UKAS awarding body, as meeting the requirements of ISO5001:2018 energy management systems certification and ISO14001:2015 environmental management systems certification. Underpinning the systems is our commitment to energy and the environment stating that we are focused on protecting the environment and managing energy when we move people and connect communities. Through this commitment we assess our vulnerabilities and the continuity of our business, a key risk is the impact climate change may have on our ability to operate. Through assessment, research and industry consultation we have determined the impacts of increased extreme weather events, changes in rainfall patterns and higher ambient temperature in London and Essex may have on our network.

To address the threat of climate change we have taken two approaches:

- Mitigation – e.g. emergency preparedness measures in line with industry guidance
- Prevention – e.g. implementing best practices, setting targets on energy reductions, engagement with key stakeholders.

How we reduce our carbon emissions:

- E.g. Reducing energy consumption and improving efficiency of our premises and fleet

Trenitalia c2c Limited

Directors' report

Below are some highlights related to projects delivered in 2021:

- Additional LED lighting installed
- Replacement gas meter and AMR at East Ham depot.

We are committed to continuously improving our environmental performance and will seek for further opportunities to reduce our carbon-related emissions over the coming years.

Greenhouse gas emissions, energy consumption and energy efficiency

	2020 (Jan-Dec)	2021 (Jan-Dec)	2022 (Jan-Mar)
Energy consumption used to calculate emissions:	Traction Electricity – 80,582,595 kWh Electricity – 7,579,457 kWh Gas – 1,507,572 kWh Petrol – 109.97 litres Diesel – 4959.11 litres	Traction Electricity – 78,800,353 kWh Electricity – 6,736,950 kWh Site Gas – 923,073 kWh Petrol – 498.91 litres Diesel – 4176.64 litres	Traction Electricity – 18,764,771 kWh Electricity – 1,779,381 kWh Site Gas – 246,156 kWh Petrol – 302.72 litres Diesel – 597 litres
Emissions from combustion of gas tCO2e (Scope 1)	277.19 tCO2e	169.47tCO2e	45.39tCO2e
Emissions from combustion of fuel for transport purposes (Scope 1)	Petrol – 0.02521 tCO_2e Diesel – 1.19912 tCO_2e	Petrol – 0.11458 tCO_2e Diesel - 0.99234 tCO_2e	Petrol – 0.06957 tCO_2e Diesel - 0.14141 tCO_2e
Emissions from purchased electricity (Scope 2, location-based)	Traction – 19,236.81tCO_2e Site – 1,810.78tCO_2e	Traction – 17,119.23tCO_2e Site – 1,475.37tCO_2e	Traction – 3,984.32tCO_2e Site – 414.77tCO_2e
Total gross CO2e based on above -	21,326.00tCO_2e	18,765.17tCO_2e	4,444.69tCO_2e
Intensity ratio:	38.82grams of CO_2e per passenger kilometre	35.83grams of CO_2e per passenger kilometre	27.55grams of CO_2e per passenger kilometre
	29.61tCO_2e per FTE (Average FTE – 720)	29.62tCO_2e per FTE (Average FTE – 633.4)	7.01tCO_2e per FTE (Average FTE – 633.4)
Methodology	GHG Reporting Protocol	GHG Reporting Protocol	GHG Reporting Protocol

Trenitalia c2c Limited

Directors' report

Disclosure of information to Auditor

Directors' statement as to disclosure of information to auditor.

The directors who held office at the date of approval of the Directors' Report confirm that:

- to the best of each director's knowledge there is no information relevant to the preparation of their audit report to which the Company's auditor is unaware; and
- each director has taken all steps that a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to section 487 of Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board and signed on its behalf by:

P Leney
Finance Director
6 October 2022

Registered Office:
Cutlers Court
115 Houndsditch
London
EC3A 7BR

Registered number 07897267

Trenitalia c2c Limited

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities

Independent auditor's report to the members of Trenitalia c2c Limited

Opinion

We have audited the financial statements of Trenitalia c2c Limited ("the company") for the period ended 31 March 2022 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2-c to the financial statements which indicates that on ability of the Company to continue as a going concern is dependent on the Department for Transport renewing the operating contract when it expires on 24th July 2023. These events and conditions, along with the other matters explained in note 2-c, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Our conclusion based on our financial statements audit work: we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and top management about the Company's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue derives mainly from passenger income, the source of which is from an independent third party with limited management intervention.

We did not identify any additional fraud risks.

Independent auditor's report to the members of Trenitalia c2c Limited

Fraud and breaches of laws and regulations – ability to detect (continued)

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual journal postings to cash and operating expenses.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and pensions legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law recognising the regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Richard Johnson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
United Kingdom

Date: 6 October 2022

Trenitalia c2c Limited

Profit and loss account
For the period ended 31 March 2022

	Note	15 month period ended 31 March 2022 £'000	year ended 31 December 2020 £'000
Turnover			
Passenger income	3	110,260	77,756
Other operating income		6,625	5,429
Subsidy income	3	43,274	-
		160,159	83,185
Operating costs		(218,148)	(161,293)
Other Income	3	57,945	80,369
Operating profit/(loss)	4	(44)	2,261
Interest payable	7	(3,117)	(13,310)
Interest receivable	7	130	921
Separately disclosed items	22	145,253	(103,887)
Profit/(Loss) before taxation		142,222	(114,015)
Tax (debit)/credit on profit/(loss)	8	294	(724)
Profit/(Loss) for the financial year	19	142,516	(114,739)

All activities relate to continuing operations.

The notes on pages 17 to 43 form part of the accounts.

Statement of comprehensive income
For the period ended 31 March 2022

	Note	15 month period ended 31 March 2022 £'000	year ended 31 December 2020 £'000
Profit/(Loss) for the financial year		142,516	(114,739)
Actuarial gain/(loss) on defined benefit pension scheme	21	2,290	(25,821)
Deferred tax on actuarial gain/(loss)	17	2,157	4,390
Revaluation of pension asset	21	(13,408)	-
Total comprehensive income in the year		133,555	(136,170)

The notes on pages 17 to 43 form part of the accounts.

Trenitalia c2c Limited

Balance sheet
At 31 March 2022

	Note	31 March 2022 £'000	31 December 2020 £'000
Fixed assets			
Tangible assets	9	-	109,938
Intangible assets	10	-	7,967
Investments	11	-	-
		-	117,905
Current assets			
Debtors: amounts falling due within one year	12	37,212	11,978
Reimbursable assets (including £8,352 (2020: £nil) due after more than one year)	12	33,411	-
Cash at bank and in hand	13	29,942	54,641
		100,565	66,619
Creditors: amounts falling due within one year	14	(62,998)	(196,078)
Provisions falling due within one year	16	-	(78,021)
Net current assets/(liabilities)		37,567	(207,480)
Total assets less current liabilities		37,567	(89,575)
Creditors: amounts falling due after more than one year	15	(8,549)	(32,125)
Provisions falling due after more than one year	16	(23,089)	(19,791)
Net assets/(liabilities) excluding net pension asset		5,929	(141,491)
Reimbursement right asset	21	52,577	-
Pension asset	21	-	13,864
Pension liability	21	(52,577)	-
Net assets/(liabilities)		5,929	(127,626)
Capital and reserves			
Called up share capital	18	100	100
Profit and loss account	19	5,829	(127,726)
Equity shareholders' funds/(deficit)		5,929	(127,626)

The financial statements of Trenitalia c2c Limited, registered number 07897267 were approved by the Board of Directors.

Signed on behalf of the Board of Directors on 6th October 2022.

P Leney
Finance Director

The notes on pages 17 to 43 form part of the accounts.

Trenitalia c2c Limited

Statement of changes in equity
At 31 March 2022

	Share Capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2020	100	8,445	8,545
Other comprehensive income	-	(21,431)	(21,431)
Profit/(Loss) for the year	-	(114,739)	(114,739)
At 31 December 2020	100	(127,726)	(127,626)

	Share Capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2021	100	(127,726)	(127,626)
Other comprehensive income	-	(8,961)	(8,961)
Profit/(Loss) for the period	-	142,516	142,516
At 31 March 2022	100	5,829	5,929

The notes on pages 17 to 43 form part of the accounts.

Trenitalia c2c Limited

Notes to the financial statements
For the period ended 31 March 2022

1. General information

Trenitalia c2c Limited is a private company incorporated, domiciled and registered in England. The registered number is 07897267 and the registered office is Cutlers Court, 115 Houndsditch, London, EC3A 7BR.

The current financial period was extended to 31 March 2022 and therefore the prior year comparatives represent the year ended 31 December 2020.

This financial information comprises separate financial statements. The results of the Company are included in the group accounts of Ferrovie Dello Stato de Italiane, which are prepared in accordance with International Financial Standards, are available to the public and can be obtained at:

Piazza della Croce Rossa,

1 – 00161

Rome

Italy

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Accounting Standards in conformity with the requirements of the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

2. Accounting policies

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

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

2. Accounting policies (continued)

The principal accounting policies are summarised below, which have all been applied consistently throughout the period and prior year.

a) Basis of accounting

The financial information is presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard. Where required, equivalent disclosures are given in the group accounts of the ultimate parent company, Ferrovie Dello Stato Italiane Spa. Copies of these accounts are publicly available from:

Piazza della Croce Rossa,

1 – 00161

Rome

Italy

b) Measurement convention

The financial information has been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

c) Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

Since March 2020 the Company's operations have been impacted by the COVID-19 pandemic and the Company operated under emergency agreements with Department for Transport (DFT), firstly the Emergency Measures Agreement (EMA) and from September 2020, the Emergency Recovery Measures Agreement (ERMA), which was then replaced in July 2021 with the National Rail Concession (NRC). The NRC passes full revenue and cost risk to the DFT, save for a small portion of disallowable costs. The Company is also entitled to earn a management fee and performance fee.

The current National Rail Concession (NRC) contract runs for 2 years from 25th July 2021 and is expected to be profitable for its duration. It can be extended for a further two years at the discretion of the DFT. The NRC contract is similar to the ERMA, with the Company earning a fixed management fee and variable performance fee. DFT have full revenue risk and a cost budget has been agreed for the year ended 31 March 2023. Each subsequent year requires a business plan and cost budget to be agreed. Ongoing long-term forecasts are provided to DfT quarterly. The NRC requires a contingent facility to be in place with Ferrovie Dello Stato Italiane Spa to cover any costs incurred outside the normal operating costs of the business as set out in the NRC which would not be covered by the DFT. The Directors do not expect that this facility will be used as active cost control measures will prevent any significant disallowable costs being incurred.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements on the assumption that the NRC continues in operation. These forecasts indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds to be able to settle its debts as they fall due.

All provisions have been recognised in relation to termination of contracts associated with the old franchise arrangement which was due to expire in 2029. The NRC contract was dependent on its ultimate parent company, Ferrovie Dello Stato Italiane Spa, not seeking repayment of the amounts due to the group. During the year ended 31 March 2022 Ferrovie Dello Stato Italiane Spa waived the loan which had been made to c2c (Note 22).

The NRC is due to expire in July 2023 so if the DFT decides not to extend the NRC and awards the operation of the railway line to another operating company then Trenitalia C2C Limited may cease to have a trade at that date. The extension of the contract is outside of the Directors' control and therefore this constitutes a material uncertainty over whether the Company can continue to trade for the foreseeable future. While the extension or replacement of the NRC

2. Accounting policies (continued)

is outside the Directors control, considering the good operational performance of the railway under c2c's management and the current discussions with DfT, c2c expect the NRC to be extended. As the directors expect c2c to continue to operate the railway beyond the current expiry date in July 2023 under the extension of the NRC, the directors consider it appropriate to continue to prepare the financial statements on a going concern basis.

Based on the above, the directors believe it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern and, therefore, that the company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

d) Foreign Currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

e) Turnover

(i) Passenger income represents amounts agreed as attributed to the Company by the income allocation systems of Rail Settlement Plan Limited, mainly in respect of passenger receipts. Income is attributed based principally on models of certain aspects of passengers' travel patterns and, to a lesser extent, from allocations agreed for specific revenue flows. The attributed share of season ticket income is deferred within creditors, and released to the profit and loss account over the period of the relevant season ticket.

(ii) Other income is derived from ticket commissions, station trading income, depot and station access receipts and the provision of goods or services to other train operating companies and excludes VAT. It is recognised on an accruals basis.

(iii) Compensation from Network Rail caused delays are recognised on an accruals basis and on a prudent nature. Any disputed items between the Company and Network Rail are not recognised. Compensation could also be payable to Network Rail, therefore this expense/revenue for the year is included within operating costs.

(iv) Refunds to customer are recognised on an accruals basis. Refunds are debited against turnover and accruals are provided for any refunds applied but not yet processed.

(v) Management and performance fees arising as part of the EMA, ERMA and NRC contracts are recognised on an accruals basis. The management fees arising are recognised fully, while the performance fees are recognised in line with management's expectation of the likely performance fees to be received.

(vi) Government funding from the DfT arising as part of the EMA, ERMA and NRC contracts is recognised on an accruals basis due to the nature of the contracts. NRC revenue is recognised as subsidy income and emergency funding as part of the EMA and ERMA have been recognised as other income.

f) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment loss.

Fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the asset to be:

- Leasehold improvements – 7.5 years or until the end of the franchise.
- Property, plant and equipment – Each item is assessed on an individual basis. Ranges between 3 years and until the end of the franchise.

2. Accounting policies (continued)

The carrying amounts of the fixed assets are set out in Note 9.

Assets under construction are carried at cost less any recognised impairment loss. Depreciation of these assets, on the same basis as other fixed assets, commences when the assets are ready for their intended use.

g) Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation and accumulated impairment loss.

The carrying amounts of intangible fixed assets are set out in Note 10.

Intangible fixed assets are amortised on a straight-line basis over the life of the franchise.

h) Leased assets – IFRS 16

Where the contract does not convey the right to control the use of an identified asset, the rental payments are charged to the profit and loss account on a straight-line basis over the lease term.

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

As a lessee

The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the 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 interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

Historically, the Company presented right-of-use assets that do not meet the definition of investment property as tangible assets and lease liabilities in creditors in the statement of financial position. This year, since the

2. Accounting policies (continued)

commencement of the NRC, the DfT directs the control of the assets and has the beneficial return from the use of the assets through its exposure to the variable income from the railway. On this basis the right-of-use assets that do not meet the definition of investment property are recognized as reimbursable assets in debtor and lease liabilities in the statement of financial position.

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets (less than £5,000 per annum) and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

i) Financial asset and liabilities

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets

Classification

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

Subsequent measurement and gains and losses

2. Accounting policies (continued)

Financial assets at FVTPL – these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost – These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI – these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI – these assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

j) Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expense on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

2. Accounting policies (continued)

k) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

l) Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Certain employees of the company participate in funded defined pension sections which form part of the Railway Pension Scheme ("RPS"). The company has accounted for this scheme as a defined benefit scheme.

The company's obligation is to pay contributions as agreed with the scheme actuary and trustees over the period that the company operates the railway. At the end of the period the company operates the railway and employs the related staff, the pension obligation is expected to transfer to the next operator with no further obligation to the company.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside profit or loss and presented in other comprehensive income. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

For the period 1 January 2021 to 24th July 2021, the accounting method was consistent with prior years, as disclosed in Note 21. Due to the signing of the National Rail Contract(NRC), the pension asset has been recalculated to a revised end-date of 23 July 2023, when the National Rail Contract is due to end. This generated a significant actuarial loss of £13.4m in the period, reflecting the shorter timeframe of the pension scheme that is recognised in the accounts.

From the inception of the NRC on 25th July 2021, the Directors believe that separate consideration should be given to the RPS under IAS 19 ' Employee Benefits' (revised 2011) as the company has no rights or obligations in respect of the scheme following the expiry of the NRC contract. The Company is responsible for the Scheme while the NRC is in place, and therefore is required to account for the assets and defined benefit obligation (DBO). The Company has a reimbursement right in place until the NRC ends, which offsets the pension scheme deficit and is disclosed separately to the scheme deficit as a separate reimbursement asset.

m) Taxation

The charge for taxation is based on the profit for the year and takes into consideration timing differences arising as a result of different treatments of certain items for taxation and accounting purposes.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the financial statements (continued)

For the period ended 31 March 2022

2. Accounting policies (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

n) Contract mobilisation costs

Costs associated with securing new rail franchises and other significant non-rail contracts are expensed as incurred up to the point when a bid is awarded. From this point in time, appropriate costs are recognised as an asset and are expensed to the Profit & loss account over the life of the contract. Costs associated with the commencement of all new contracts other than these contracts are expensed as incurred.

o) Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Discount rate used to determine the carrying amount of Trenitalia c2c Limited defined benefit obligation

Trenitalia c2c Limited defined benefit obligation is 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.

Sensitivity analysis to significant actuarial assumptions

	Sensitivity £'000	Gross Defined Benefit Obligation £'000
Discount rate	-1.0% p.a	65,174
Price inflation (CPI)	+0.5% p.a	28,145
Salary increases	+0.5% p.a	8,286
Life expectancy	+ 1 year	10,023

Whilst the gross defined benefit obligation will change when assumptions are changed, this will be offset by an equal and opposite change in the reimbursement right asset.

Notes to the financial statements (continued)

For the period ended 31 March 2022

2. Accounting policies (continued)

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Provisions

The insurance provision arises from the estimated exposure at the year-end on existing insurance claims which are open for up to six years. The provision is held until utilised.

Contract provisions arising on the early termination of the franchise agreement and the signing of the NRC have been recognised and are expected to be settled at the end of the NRC.

Further detail on the provisions recognised has been outlined in notes 16 and 22 to the accounts.

3. Turnover from contracts with customers

All turnover originates in the United Kingdom. The Directors consider that the whole of the activities of the Company constitute a single class of business.

4. Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	15 month period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
Depreciation of tangible fixed assets	25,161	28,987
Train maintenance services and materials	20,296	10,417
Operating lease rentals		
- Fixed track access	20,097	16,427
- Variable track access	3,146	2,630
- Other	2,964	2,481
The analysis of auditor's remuneration is as follows:		
- Fees payable to the Company's auditor for the audit of the Company's annual accounts	276	108
- Fees payable to the Company's auditor for non-audit services	18	-

Operating lease rentals (other than rolling stock costs) are primarily payable to Network Rail Infrastructure Limited. See note 20 for IFRS 16 impact analysis.

Trenitalia c2c Limited

Notes to the financial statements (continued)

For the period ended 31 March 2022

5. Directors' emoluments

	15 month period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
Aggregate emoluments in respect of qualifying services to the Company	1,025	1,021

The emoluments excluding pension contributions of the highest paid director were £223,727 (2020: £153,427). Their accrued pension and accrued lump sum benefits, as at 31 March 2022, were £30,408 (2020: £85,191) and £24,548 (2020: £116,677) respectively.

Retirement benefits were accruing to five directors during the period (2020: six) under a defined benefit scheme in respect of services provided to the Company.

6. Staff costs

	15 month period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
Wages and salaries	39,168	32,064
Social security costs	4,115	3,464
Expenses related to defined benefit plans (note 21)	6,274	6,589
	49,557	42,117

The average number of employees (including directors) during the period was as follows:

	15 month period ended 31 March 2022 No.	Year ended 31 December 2020 No.
Managerial and administrative	175	168
Operational	537	533
	712	701

Notes to the financial statements (continued)

For the period ended 31 March 2022

7. Interest

	15 month period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
Interest payable		
Total interest expense on financial liabilities measured at amortised cost.	(3,117)	(13,310)
	(3,117)	(13,310)
Interest receivable		
Net interest on net defined benefit pension plan assets	130	921
	130	921

Interest payable includes interest payable on bank loans and overdrafts of £nil (2020: £7k) and on all other loans of £1,834k (2020: £3,916k) The remaining amount of £1,283k (2020: £9,387k) relates to IFRS 16 interest charges. Of the above amount £1,834k (2020: £3,916k) was payable to group undertakings.

8. Taxation

a) The tax debit/(credit) on the profit on ordinary activities before taxation is made up as follows:

	15 month period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
Current taxation:		
Current tax charge	-	-
	-	-
Deferred taxation:		
Origination and reversal of timing differences	(610)	442
Prior year adjustments	67	336
Impact of the changes in tax rate	249	(54)
	(294)	724
Tax (charge)/credit on profit on ordinary activities	(294)	724

Notes to the financial statements (continued)

For the period ended 31 March 2022

8. Taxation (continued)

b) Factors affecting the current tax credit/charge for the year are:

	15 month period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
Profit/(Loss) before taxation	142,516	(114,015)
Notional credit at UK corporation tax rate of 19% (2020: 19%)	27,078	(21,663)
Expenses not deductible for tax purposes	(373)	22,105
Income not taxable	(27,315)	-
Prior year adjustments	67	336
Impact of the changes in tax rate	249	(54)
Tax (charge)/credit for the period	(294)	724

The Company has carried forward losses of £65,819,213 (2020: £21,087,254).

Income not taxable represents the non-taxable impact of the waiver of the loan owed by the Company to Ferrovie Dello Stato Italiane SpA and all related interest. This is disclosed further in note 22.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

In his budget of 16 March 2016, the Chancellor of the Exchequer announced a reduction in the main rate of corporation tax to 17% effective from 1 April 2020. The reduction was enacted on 15 September 2016, however this was subsequently reversed and on 17 March 2020 the decision was taken that the tax rate would remain at 19% from 1 April 2020.

Furthermore, in his budget of 3 March 2021, it was announced that there would be an increase in the main rate of corporation tax from 19% to 25% effective from 1 April 2023. In the most recent budget of 23 September 2022, it was announced the new rate of 25% would not be enacted.

Trenitalia c2c Limited

Notes to the financial statements (continued)

For the period ended 31 March 2022

9. Tangible fixed assets

	Rolling Stock	Land and Buildings	Plant and equipment owned	Assets under construction	Leasehold improvements	Total
Cost						
At 1 January 2021	62,227	794	29,531	5,714	33,254	131,520
Additions	-	-	-	-	-	-
Revaluation of right-of- use assets (Note 20)	710	43	228	-	-	981
Assets under construction completed	-	-	-	-	-	-
Disposals	(62,937)	(837)	(29,759)	(5,714)	(33,254)	(132,501)
At 31 March 2022	-	-	-	-	-	-
Depreciation						
At 1 January 2021	5,768	-	7,597	-	8,216	21,581
Revaluation of right-of-use assets	2,895	-	-	-	-	2,895
Charge on right-of-use assets	21,791	405	464	-	-	22,660
Charge for the period	-	-	1,286	-	1,215	2,501
Disposals	(30,454)	(405)	(9,347)	-	(9,431)	(49,637)
At 31 March 2022	-	-	-	-	-	-
Net book value						
At 1 January 2021	56,459	794	21,934	5,714	25,038	109,938
At 31 March 2022	-	-	-	-	-	-

As part of the signing and commencement of the NRC on 25th July 2021, the DfT provided the Company with a payment to cover the net book value of all fixed assets as at the commencement of the NRC. At the end of the NRC, or in the event it is terminated early, and a new contract is not signed with the Company, the Company would transfer all of its fixed assets to the DfT at nil cost. Therefore, it was decided that the Company should derecognise these fixed assets, and so they have all been disposed as at 25th July 2021. Right-of-use assets are now recognised as reimbursable assets within debtors (see note 12).

Notes to the financial statements (continued)

For the period ended 31 March 2022

10. Intangible fixed assets

	PICO System
Cost	
At 1 January 2021	10,660
Additions	-
At 31 March 2022	10,660
Amortisation	
At 1 January 2021	2,693
Charge for the period	1,533
Disposals	(4,226)
At 31 March 2022	-
Net book value	
At 1 January 2021	7,967
At 31 March 2022	-

Intangible assets represent a new retailing system, PICO, which has been in progress since 2016. The costs above represents the development of the mobile app, website, consultants, software and project manager costs. The project also involves purchasing new ticket vending machines which are included within tangible fixed assets. The project was completed in 2021, and has been derecognised in line with the treatment of tangible fixed assets.

11. Investments

The Company held the following unlisted investments at 31 March 2022 and are held at nil value in the balance sheet:

	Country of Registration	No. of shares held	Class of share	Proportion held
ATOC Limited	UK	1	Ordinary (4p)	4%
Rail Settlement Plan Limited	UK	1	Ordinary (4p)	4%
Rail Staff Travel Limited	UK	1	Ordinary (4p)	4%
NRES Limited	UK	1	Ordinary (4p)	4%

The principal activity of the above companies is to provide a range of services to all passenger rail operators, each of which has an equal share in the companies. The Registered office of the above companies is:

200-202 Part Second Floor Aldersgate Street
London
EC1A 4HD

Notes to the financial statements (continued)

For the period ended 31 March 2022

12. Debtors

Debtors: amounts recoverable within one year

	31 March 2022 £'000	31 December 2020 £'000
Trade debtors	21,736	1,311
Amounts due from group undertakings	515	2
Other debtors	6,596	1,935
Prepayments and accrued income	8,365	8,730
	37,212	11,978

Amounts due from group undertakings are non-interest bearing and payable on demand.

Amounts recoverable in more than 12 months total £4,945,126 (2020: £7,242,220). These amounts are for prepayments of rolling stock expenses.

Other debtors includes amounts totalling £2,236,600 (2020: £nil). These amounts represent a new bank account which was opened in November 2021 as a replacement for the season ticket bond previously held with the ultimate parent Company. The Company and DfT have dual authority over this account, therefore the balance has been recognised in other debtors as it is not considered to be readily available cash.

Debtors: reimbursable assets

	31 March 2022 £'000	31 December 2020 £'000
Reimbursable assets recoverable within one year	25,059	-
Reimbursable assets recoverable after more than one year	8,352	
	33,411	-

This amount relates to IFRS 16 right of use assets which have been reclassified from tangible fixed assets to reimbursable assets. Through the NRC, the Company will be reimbursed for the lease liabilities related to these assets under IFRS 16, and therefore a reimbursement asset has been recognised. Please see note 20 for further detail.

13. Cash at bank and in hand

	31 March 2022 £'000	31 December 2020 £'000
Bank deposits	29,942	54,641

As part of the rail franchise agreement, the Company had taken out a season ticket bond with the ultimate parent Company to act as a guarantee over the season tickets should the Company cease to trade. The bond was cancelled as of 24 November 2021, so at the period end the bond amounted to £nil (2020: £5,241,000). A new bank account was subsequently opened over which the Company and DfT have dual authority. For this reason the account balance has been recognised in other debtors as it is not considered to be readily available cash.

Notes to the financial statements (continued)

For the period ended 31 March 2022

14. Creditors: amounts falling due within one year

	31 March 2022 £'000	31 December 2020 £'000
Trade creditors	19,793	16,528
Amounts due to group undertakings	1,232	136,427
Deferred season ticket income	1,954	1,458
Social security and other taxation	959	1,006
Accruals and deferred income	6,899	10,627
Lease Liabilities	25,260	26,038
Other creditors	5,222	3,403
Corporation tax	-	-
Capital accruals	1,679	591
	62,998	196,078

Amounts due to group undertakings are non-interest bearing and payable on demand.

15. Creditors: amounts due after more than one year

	31 March 2022 £'000	31 December 2020 £'000
Deferred gain on sale and leaseback	-	137
Lease Liabilities	8,549	31,988
	8,549	32,125

16. Provisions

	1 January 2021 £'000	Provided in the period £'000	Utilised or transferred in the period £'000	31 March 2022 £'000
Insurance	70	129	-	199
Deferred tax (note 17)	1,877	(2,745)	294	(574)
Onerous Contract Provision (note 22)	95,865	742	(73,143)	23,464
	97,812	(1,874)	(72,849)	23,089

The insurance provision arises from the estimated exposure at the year-end on existing insurance claims which are open for up to six years. The provision is held until utilised.

Of the onerous contract provision, amounts due in less than 12 months total £nil (2020: £78,021,000). The remaining contract provisions arose on the early termination of the franchise agreement and are expected to be settled at the end of the NRC.

Notes to the financial statements (continued)

For the period ended 31 March 2022

17. Deferred tax

a) The deferred tax (asset)/liability movement in the period is as follows:

	31 March 2022 £'000	31 December 2020 £'000
At 1 January	1,877	5,475
Charge/(Credit) to profit and loss account	(294)	724
Charge/(Credit) to statement of comprehensive income	(2,157)	(4,322)
At reporting date	(574)	1,877

b) The components of the deferred tax (asset)/liability are as follows:

	Deferred tax arising on pension surplus £'000	Capital allowances £'000	Unused tax losses £'000	Other timing differences £'000	R&D expenditure credit £'000	Total £'000
At 1 January 2020	7,266	(858)	(861)	(56)	(16)	5,475
Charge/(Credit) to profit and loss account	(588)	(232)	861	683	-	724
Charge/(Credit) to statement of total other comprehensive income and expenditure	(4,322)	-	-	-	-	(4,322)
At 31 December 2020	2,356	(1,090)	-	627	(16)	1,877

	Deferred tax arising on pension surplus £'000	Capital allowances £'000	Unused tax losses £'000	Other timing differences £'000	R&D expenditure credit £'000	Total £'000
At 1 January 2021	2,356	(1,090)	-	627	(16)	1,877
Charge/(Credit) to profit and loss account	(238)	1,090	-	(1,146)	-	(294)
Charge/(Credit) to statement of total other comprehensive income and expenditure	(2,157)	-	-	-	-	(2,157)
At 31 March 2022	(39)	-	-	(519)	(16)	(574)

Deferred tax assets are recognised where it is considered more likely than not that there will be suitable profits, from which the future of the underlying timing differences can be deducted. Deferred tax is calculated in full on temporary differences under the liability method using the tax rates that have substantively enacted for future years, being 25% (2020:19%).

18. Share capital

	31 March 2022 £'000	31 December 2020 £'000
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	100	100

The holders of the shares are entitled to receive dividends from time to time and are entitled to one vote per share at meetings of the Company. A dividend of £nil (2020: £nil) was declared during the year.

19. Reserves

	Profit and loss account £'000
At 1 January 2020	8,445
Profit/(loss) for the period	(114,739)
Actuarial (loss)/gain on pension (net of tax)	(21,431)
At 31 December 2020	(127,726)

	Profit and loss account £'000
At 1 January 2021	(127,726)
Profit/(loss) for the period	142,516
Actuarial (loss)/gain on pension (net of tax)	(8,961)
At 31 March 2022	5,829

20. Leases

A significant majority of the lease contracts relate to Rolling stock. All leases recognised under IFRS 16 have an end date which mirrors the end of the National Rail Contract, apart from the lease of 24 units of 387 Rolling Stock, which ended on 1 July 2021. Other leases include the Company head office lease and various CCTV/SSIS equipment.

Right of use assets

Right of use assets(ROU) recognised under IFRS 16 are shown below. From 25 July 2021, at the commencement of the NRC, these assets have been reclassified as reimbursable assets(RA)(see note 12):

Right of Use Assets	Rolling stock £'000	Land and Buildings £'000	Plant and equipment £'000	Total £'000
Balance at 1 January 2021	56,459	794	731	57,984
Change in lease term of right-of-use assets	-	-	-	-
Depreciation charge for the period	(15,706)	(252)	(103)	(16,061)
Transfer of ROU assets to RA	(40,753)	(542)	(628)	(41,923)
Balance at 24 July 2021	-	-	-	-

Reimbursable Assets	Rolling stock £'000	Land and Buildings £'000	Plant and equipment £'000	Total £'000
Balance at 1 January 2021	-	-	-	-
Transfer from ROU Assets to RA at 24 July 2021	40,753	542	628	41,923
Change in lease term of right-of-use assets	(2,185)	43	228	(1,914)
Depreciation charge for the period	(6,085)	(153)	(361)	(6,599)
Balance at 31 March 2022	32,483	432	495	33,410

The lease liabilities were recognised on 1 January 2019 using an incremental borrowing rate of 4.85%. In December 2020, the right-of-use assets were revalued down as a result of the signing of the National Rail Contract which has an end date of 24th July 2023, earlier than the previous Franchise Agreement end date in 2029. Therefore, the new incremental borrowing rate used from December 2020 is 2.24%.

At 31 December 2020, the lease terms were restated to align with the expected end date of the National Rail Contract at the time, which was 31 March 2023. During 2021, the National Rail Contract end date was confirmed as being 25 July 2023, and therefore the lease terms were restated to align with this date.

Notes to the financial statements (continued)

For the period ended 31 March 2022

20. Leases (continued)

Lease Liabilities

	Rolling stock £'000	Land and Buildings £'000	Plant and equipment £'000	Total £'000
Balance at 1 January 2021	56,501	794	731	58,026
Change in lease term	7,921	43	226	8,190
Interest Expense	1,252	13	18	1,283
Cash outflow for leases	(32,802)	(415)	(474)	(33,691)
Balance at 31 March 2022	32,872	435	501	33,808

Liabilities split as:	**£000**
Creditors: amounts falling due within one year	25,259
Creditors: amounts due after more than one year	8,549
Balance at 31 March 2022	**33,808**

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

2022 – Leases under IFRS 16	**£000**
Interest expenses on lease liabilities	1,283

Committed Leases

The Company has entered into a contract to take delivery of 60 vehicles of class 720 Aventra Rolling Stock, expected to be delivered in the second half of 2022. This will be recognised as a Reimbursable Asset when the units are delivered.

20. Leases (continued)

Operating leases

	Fixed track access £'000	Land and buildings £'000	Other £'000	Total £'000
Within one year	18,657	2,136	32	20,825
Within two to five years	4,664	534	26	5,224
More than 5 years	-	-	-	-
	23,321	2,670	58	26,049

The Company has contracts with Network Rail Infrastructure Limited for access to the railway infrastructure (track, stations and depots) The leases have been reviewed and do not require recognition of a right-of use asset. This is due to a lack of control over the direction of use of the assets, with ultimate control being retained by the lessor. The lease commitments are calculated using the 2022-23 budget. Fixed track access and other Network Rail contracts are subject to change. This is agreed between Network Rail and the office for Rail and Road.

21. Retirement benefits

Since 10 November 2014, the majority of the Company's employees have been members of the Trenitalia c2c Limited Shared Cost Section of the Railway Pension Scheme ('RPS'), a funded defined benefit scheme ('the Scheme'). Prior to that date the employees were members of the c2c Rail Limited Share Cost Section of the RPS. The RPS is a shared cost scheme, which means that costs are formally shared 60% employer and 40% employee. To date, the Group, within which this Company was a member, has experienced eleven changes of UK Train franchise ownership where the current owner has funded the scheme during the franchise term and the pension deficit at franchise exit has transferred to the new owner, without cash settlement. By entering into the franchise contract, the Train Operating Company ('TOC') becomes the designated employer for the term of the contract and under the rules of the RPS must fund its share of the pension liability in accordance with the schedule of contributions agreed with the Scheme trustees and actuaries.

In determining the appropriate accounting policy for the RPS to ensure that the Company's accounts present fairly its financial position, financial performance and cash flows, management has consulted with TOC industry peers and has concluded that the Company's constructive obligations should be accounted for in accordance with IAS 19. This accounting policy means that the Company's accounts reflect that element of the deficit anticipated to be settled by the Company during the franchise term and will prevent gains arising on transfer of the existing RPS deficit to a new owner at franchise exit.

In calculating the prior years' Company's constructive obligations in respect of the RPS, the Company calculated the pension deficit in accordance with IAS 19 and the assumptions are set out below. These deficits were reduced by a "franchise adjustment" which is that portion of the deficit that was projected to exist at the end of the franchise and for which the Company was not required to fund. The franchise adjustment, which was calculated by the Company's actuaries, was offset against the present value of the RPS liabilities so as to fairly present the financial performance, position and cash flows of the Company's obligations..

For the period 1 January 2021 to 24th July 2021, the accounting method was consistent with prior years. Due to the signing of the National Rail Contract(NRC), the pension asset has been recalculated to a revised end-date of 23 July 2023, when the National Rail Contract is due to end. This generated a significant actuarial loss of £13.4m in the period, reflecting the shorter timeframe of the pension scheme that is recognised in the accounts.

From the inception of the NRC on 25th July 2021, the Directors believe that separate consideration should be given to the RPS under IAS 19 ' Employee Benefits' (revised 2011) as the company has no rights or obligations in respect of the scheme following the expiry of the NRC contract. The Company is responsible for the Scheme while the NRC is

21. Retirement benefits (continued)

in place, and therefore is required to account for the scheme deficit in full. The Company has a reimbursement right in place until the NRC ends, which offsets the balance sheet and is disclosed separately to the scheme deficit as a separate reimbursement asset.

The franchise adjustment decreased from £95.1m at 31 December 2020 to £87.6m at 25 July 2021. This then decreased to nil when the NRC commenced.

A summary of the latest full actuarial valuation for the section relating to the Company and assumptions made, is as follows:

Date of actuarial valuation	31 December 2016
Actuarial method used	Projected unit
Rate of investment returns per annum	6.0% - 7.3%
Increase in earnings per annum	4.23%
Scheme assets taken at market value	£112.6m
Funding level	100%

Given the fact the pension scheme is part of a multi-employer scheme, it is impossible to determine the class or level of plan assets held.

The results of the latest available triennial valuation are then updated by independent professionally qualified actuaries for financial reporting purposes, in accordance with IAS 19. The main actuarial assumptions underlying the IAS 19 valuations are:

	15 month period ended 31 March 2022	**Year ended 31 December 2020**
Rate of increase of pensions	3.25%	2.50%
Discount rate	2.75%	1.55%
Inflation assumption (RPI)	3.55%	2.90%
Inflation assumption (CPI)	3.25%	2.50%
Rate of increase in salaries	3.75%	3.00%
Post retirement mortality in years:		
Current pensioners at 65 – male	20.8	21.7
Current pensioners at 65 – female	22.8	23.3
Future pensioners at 45 – male	22.3	23.7
Future pensioners at 45 – female	24.3	25.3

Mortality assumptions are based on the recent experience of the Scheme with an allowance for future improvements in mortality.

Scheme assets are stated at their market value at the respective balance sheet dates. The expected rate of return on assets is determined based on the market returns on each category of scheme assets.

Trenitalia c2c Limited

Notes to the financial statements (continued)

For the period ended 31 March 2022

21. Retirement benefits (continued)

Analysis of the amount charged to operating profit:

	15 month period ended 31 March 2022 £'000	**Year ended 31 December 2020 £'000**
Current service cost	6,274	6,589
Past service cost	-	-
Total operating charge	6,274	6,589

Administrative expenses of £407,000 (2020: £577,000) were incurred and included above.

Analysis of the amount credited to finance income:

	15 month period ended 31 March 2022 £'000	**Year ended 31 December 2020 £'000**
Net interest expense	(1,591)	(1,065)
Interest on franchise adjustment	1,721	1,986
Net credit to finance income	130	921

Analysis of the amount recognised in statement of other comprehensive income and expenditure:

	15 month period ended 31 March 2022 £'000	**Year ended 31 December 2020 £'000**
Actual return less expected return on pension scheme assets	12,271	4,841
Other actuarial gains/(losses)	(9,981)	(30,662)
Actuarial gain	21,829	
De-recognition of franchise adjustment	(87,552)	
Actuarial Gain/(loss) recognised in the statement of other comprehensive income	(63,433)	(25,821)

Trenitalia c2c Limited

Notes to the financial statements (continued)
For the period ended 31 March 2022

21. Retirement benefits (continued)

The amounts recognised in the balance sheet at 31 March are:

	15 month period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
Equities	161,954	139,256
Other	993	1,097
Total fair value of scheme assets	162,947	140,353
Present value of scheme liabilities	(250,576)	(275,688)
Franchise adjustment	-	95,065
Defined benefit obligation	(250,576)	(180,623)
Members' share of deficit	35,052	54,134
CRC share of surplus/(deficit)	(52,577)	13,864
Reimbursement asset	52,577	-
Net surplus/(deficit) after allowing for reimbursement asset	-	13,864

Reconciliation of opening and closing balance for Reimbursement right recognised as an asset

	15 month period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
At 1 January 2021	-	-
Recognition of reimbursement right asset at 25 July 2021	74,406	-
Re-measurement through other comprehensive income	(21,829)	-
At 31 March 2022	52,577	-

Notes to the financial statements (continued)

For the period ended 31 March 2022

21. Retirement benefits (continued)

Movement in the fair value of the scheme assets are as follows:

	15 month period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
Fair value of scheme assets at 1 January	140,353	130,100
Expected return	1,850	1,639
Administrative expenses	(407)	(577)
Cash contributions – employer	3,182	2,611
Cash contributions – Scheme participants	2,094	1,708
Benefits paid	(5,552)	(3,905)
Members' share of return on assets	6,288	3,936
Actuarial gain recognised in statement of other comprehensive income and expenditure	15,139	4,841
Fair value of scheme assets at reporting date	162,947	140,353

Movement in the fair value of the scheme liabilities are as follows:

	15 month period ended 31 March 2022 £'000	Year ended 31 December 2020 £'000
Defined benefit obligation at 1 January	(180,623)	(121,920)
Current service cost	(9,896)	(5,994)
Franchise adjustment to service cost	3,984	-
Past Service cost adjustment	-	(18)
Benefits paid	5,552	3,905
Cash contributions - Scheme participants	(2,094)	(1,708)
Finance charge	(3,441)	(2,704)
Interest on franchise adjustment	1,721	1,986
Members' share of movement on liabilities	(1,922)	(23,508)
Actuarial gain/(loss) arising from experience	(13,799)	(4,077)
Actuarial gain/(loss) arising from changes in financial adjustments	39,265	17,696
Actuarial gain/(loss) arising from change in franchise end date	(1,771)	(44,281)
Derecognition of franchise adjustment	(87,552)	-
Defined benefit obligation at reporting date	(250,576)	(180,623)

The Company's expected cash contribution to the scheme in 2022-23 is £2,387,000. The cumulative amount of actuarial gains/(losses) recognised in the statement of other comprehensive income and expenditure since 10 November 2014 is (£12,173,000) (2020: (£14,463,000)).

22. Separately disclosed items

There were £145,252,892 (2020: (£103,887,210)) of separately disclosed items recognised in the Profit and Loss Account for the period ended 31 March 2022. These relate to the loan owed by the Company to Ferrovie Dello Stato Italiane SpA and all related interest being waived. For the year ended 31 December 2020, these related to dilapidations and provisions for potentially onerous contracts as a result of the early termination of the Franchise Agreement and the signing of the National Rail Contract. Of these separately disclosed items for the year ended 31 December 2020, £78,020,729 related to termination fees paid to DfT and other adjustments to reflect the end of the Franchise Agreement that was made at the end of the ERMA.

23. Capital commitments

There were £10,747,436 of capital commitments at 31 March 2022 (2020: £13,104,466). These relate to capital projects which the Company is committed to fulfil under the terms of the National Rail Contract. These will be fully funded under the terms of the Contract.

24. Cash flow statement

The Company has taken advantage of the exemption granted in FRS 101 whereby it is not required to publish its own statement of cash flows.

The accounts of Ferrovie Dello Stato Italiane Spa for the year ended 31 December 2021 contain a consolidated statement of cash flows.

25. Related party transactions

Due to the nature of the NRC, and the nature of the relationship between the Company and the Department for Transport (a department of the UK Government), the Company has chosen to disclose transactions with the Department for Transport as related party transactions.

During the 15-month period ended 31 December 2022, the Company received £43,274,294 (2020: £nil) of funding under the terms of the NRC, and £57,945,036 (2020: £80,368,553) of funding under the terms of the ERMA contract. This has been recognised in the statement of profit and loss as subsidy income, having previously been recognised under operating costs.

A payment was made to the Department for Transport on the first day of the NRC of £78,020,729 related to termination fees and other adjustments to reflect the end of the Franchise Agreement.

At the balance sheet date, the Company was owed £15,744,314 (2020: (£3,947,573) by the Department for Transport, which was comprised of performance and management fees, as well as regular periodic funding.

The Company has taken advantage of the exemption of FRS 101 from providing details of related party transactions with fellow subsidiaries which are 100% owned as they are included within the consolidated accounts of its ultimate parent Ferrovie Dello Stato Italiane Spa, which are publicly available.

Notes to the financial statements (continued)

For the period ended 31 March 2022

26. Immediate and ultimate parent undertakings

The Company was a wholly-owned subsidiary undertaking of, and was controlled by, Trenitalia UK Limited, a Company registered in England and Wales. Registered office:

Cutlers Court

115 Houndsditch

London

EC3A 7BR

The ultimate parent Company was Ferrovie Dello Stato Italiane Spa. The results of the Company are included in the consolidated accounts of Ferrovie Dello Stato Italiane Spa for the year ended 31 December 2021.

Copies of these accounts are available from:

Piazza della Croce Rossa,

1 – 00161

Rome

Italy