Eversholt UK Rails (Holding) Limited and subsidiaries
(Security group)

Annual report and financial statements
for the year ended 31 December 2024

Registered No: 10783654

Annual report and financial statements
for the year ended 31 December 2024

Contents **Page**

Strategic report
for the year ended 31 December 2024

Presentation of information

These financial statements comprise the consolidated financial statements of Eversholt UK Rails (Holding) Limited and subsidiaries (the “Group”), (also referred to as the “Security Group” in these financial statements) together with the separate financial statements of Eversholt UK Rails (Holding) Limited (the “Company”).

As well as meeting the requirements of the Companies Act 2006, these financial statements also meet the reporting requirements of the Financing Documents entered into by certain of the subsidiaries of the Company on 4 November 2010 which the Company acceded to on 28 June 2017. The Security Group consists of the Company and its subsidiaries, being the group of companies that are Obligors under the Financing Documents.

1. Principal activities

The principal activity of the Group is to own and lease rolling stock and other rail assets in the United Kingdom (“UK”). The Group also provides services in relation to the procurement and management of heavy maintenance of rolling stock on behalf of its customers.

2. Strategy

Our strategy is to focus on growth through investing in UK rolling stock and associated rail assets. This is broken-down into three areas:

- Leasing and asset managing our existing UK fleet;
- Acquisition of new and existing UK rolling stock assets; and
- Owning and acquiring UK rail related non-rolling stock assets where they complement our rolling stock portfolio.

Our corporate vision remains “to be the UK’s rolling stock leasing company of choice and continue to be an expert and responsible provider of train finance and asset management services”. Our strategy and vision continues to be underpinned by our management of Environmental, Social and Governance (“ESG”) matters summarised by the following four themes:

- Innovating to support the transport decarbonisation journey;
- Leading as a responsible asset owner;
- Providing a great place to work; and
- Delivering results with integrity.

3. Business environment

3.1 Developments in the UK rail industry

In July, the UK Government announced that it would introduce legislation to establish a new body, Great British Railways (“GBR”) and for previously franchised rail passenger services to be taken back into public ownership. GBR will bring together the management of the network and the delivery of passenger services into a single public body. The Passenger Railway Services (Public Ownership) Act 2024 was passed on 28 November 2024. In December 2024 it was announced that South Western Railways would be the first operator to be nationalised under the new legislation, in May 2025.

In September 2024, the Secretary of State instructed the CEO of Network Rail, the Director General for Rail Services in the Department for Transport (“DfT”), and the CEO of DfT OLR Holdings Ltd (later renamed DfT Operator Limited) to establish a Shadow Great British Railways (“Shadow GBR”) ahead of the legislation to create GBR.

UK Government policy continues to recognise the role of privately financed rolling stock leasing companies. We continue to monitor developments and engage with industry stakeholders regarding the establishment of GBR.

3.2 Climate change

The UK Government continues to be committed to achieving net zero greenhouse gas emissions by 2050. Consistent with this target, the UK Government has previously set the target of removing all diesel-only trains by 2040. Scottish Ministers set an earlier deadline for the removal of diesel only passenger trains of 2035 which has been revised to 2045 during 2024. In addition to this, the UK Government is committed to setting rail air quality targets. Our activities performed in response to the issues associated with climate change can be found in section 4.4.

4. Development and performance of the business

4.1 Leasing and asset managing our existing UK fleet

	2024	2023
Number of vehicles owned by the Group	**2,798**	2,866
Group rolling stock utilisation (percentage of vehicles available for lease which were let)	**100.0%**	96.0%

Leasing developments

- On 28 March 2024 the Class 222 lease with East Midlands Railway was extended to 31 December 2025;
- On 21 August 2024 the Bedford Cauldwell depot lease with Govia Thameslink Railway was extended to 1 April 2028;
- On 24 October 2024 the Northam depot lease with South Western Railway was extended to 25 May 2025; and
- On 5 December 2024 the lease of five Class 66 locomotive vehicles with GB Railfreight was extended until February 2030.

Asset disposals

During the year, part of the Group's Class 321 fleets were decommissioned or sold. The disposal of these vehicles generated proceeds of £0.5m (2023: £1.1m) and resulted in a profit on disposal of £0.5m (2023: £1.1m). During the year, the Group has written down certain vehicles by £13.0m (2023: £16.4m) to recoverable value. The write-down was identified as part of management's annual assessment of the commercial value of the Group's fleets.

Heavy maintenance

During 2024 the Group managed contracts delivering heavy maintenance projects on four of its fleets, including mileage-based overhauls on our Class 318; Class 320; Class 320/4; and Class 334 fleets. We also managed the procurement of two time-based overhaul projects on the Class 320/4 and Class 334 fleets. The Group spent £12.7m during 2024 on maintenance and asset management activity (2023: £18.1m), the decrease compared to 2023 reflects the timing of heavy maintenance events.

Fleet modifications

Several upgrade projects were progressed during 2024 including interior refresh and energy monitoring modifications agreed as part of leases for Class 375 and Class 395 fleets; and commencement of minor improvements to Class 331 and Class 195 fleets. We have contracted the mid life refresh programme for the C376 fleet which will commence in early 2025. Expenditure on modification and refurbishment projects totalled £2.3m in 2024 (2023: £5.5m).

Fleet development

During 2024 the Group continued to progress the design and Class 222 First In Class trial of intelligent engine management with the objective of improving fuel efficiency and emissions.

4.2 Acquisition of new and existing UK rolling stock assets

Expenditure on new build rolling stock in the year relates to acceptance payments in respect of rolling stock already in service.

	2024	2023
Expenditure on new build rolling stock	**£3.2m**	£10.6m

The Group did not acquire any new rolling stock assets during 2024.

The Group continues to identify and, where appropriate, tender for opportunities to acquire new trains and interests in existing fleets in the UK.

4. Development and performance of the business (continued)

4.3 Owning and acquiring UK rail related non-rolling stock assets

The Group earns revenue from leases relating to its leasehold interests in two depots. Both leases were extended during 2024 as noted in section 4.1. The Group continues to evaluate opportunities to invest in similar assets.

4.4 Innovating to support the transport decarbonisation journey

The Group, in close collaboration with Transport Design International ("TDI"), is continuing to develop the Revolution Very Light Rail ("RVLR") vehicle. The Group is working with train operators and regional transport bodies to develop trial opportunities and finalise the detailed specification of the Pre-Series vehicles.

We continue to invest in the development of potential modifications of diesel fleets to reduce emissions including start/stop technology, modernising key components and fuel treatment options. We also continue to maintain dialogue with operators on the feasibility of deploying hydrogen, battery and diesel-battery hybrid powered vehicles on non-electrified routes.

The Group's operational environmental impact is limited to office-based activities. Scope 3 emissions account for almost all of our wider carbon footprint. As our Scope 3 emissions methodology evolves, the Group aims to collaborate with suppliers and customers to report actual (rather than modelled) emissions data in the future.

The Group voluntarily reports on value chain emissions against the relevant categories of the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard, as per the table below.

	2024	2023
Total spend on enabling low carbon technologies	**£3.4m**	£4.4m
Scope 3	**652,908t CO_2e**	611,059t CO_2e
of which, account for emissions from downstream leased assets[1]	**647,251t CO_2e**	597,927t CO_2e

Further information regarding ESG matters will be reported in our 2024 Sustainability Summary Report which will be published on our website later this year.

4.5 Leading as a responsible asset owner

The Group's rail asset portfolio continues to be managed by dedicated fleet managers with the support of project and account managers. The team comprises experienced railway professionals with an in-depth knowledge of whole life rolling stock management and our fleets. Their focus is safety, train performance and the development and positioning of fleets to protect and enhance their value.

When an asset has reached the end of its life, we follow an established waste hierarchy process to manage reprocessing the end-of-life vehicles in a safe and sustainable way. This includes sale of the vehicles, re-use of spare parts and donations to community groups.

Recent evidence of our fleet performance was highlighted at the 2024 Golden Spanners industry awards which celebrate excellence in train maintenance. The Group won a gold award in the second generation new diesel multiple unit category for the C185 fleet.

4.6 Providing a great place to work

The average number of persons employed by the Group during the year was 104 (2023: 106). The Group is committed to the continued professional development and wellbeing of its staff. Currently 42.6% of our workforce are women compared to the most recently published industry average of 16%[2]. Details of our

---

[1] In its second year of reporting traction emissions against Category 13 Leasing of Downstream Assets of the GHG Protocol, the Group continued to strengthen its accounting approach. For year-on-year comparative emissions data reported under SECR Framework, please refer to SECR in the Directors' report.

[2] https://womeninrail.org/wp-content/uploads/2014/04/WR-Industry-Survey-Report-December-2015.pdf

4. Development and performance of the business (continued)

4.6 Providing a great place to work (continued)

approach to equality, diversity, and inclusion together with our methods of engagement with employees can be found within the Annual report and financial statements of Eversholt UK Rails Limited.

On average each employee received 17.3 hours of training in 2024, equivalent to a spend of approximately £2,092.

The Group monitors staff turnover rates, calculated as the percentage of employees who left the organisation by resignation or retirement during the year.

	2024	2023
Training hours per employee	**17.3**	13.9
Training spend per employee	**£2,092**	£834
Employee turnover rates	**3.9%**	6.6%

4.7 Delivering results with integrity

The Group is committed to conducting business responsibly and ethically. Our Code of Practice explains our business philosophy, our key business objectives and our service commitment to Train Operating Companies ("TOCs"). Our zero-tolerance approach to bribery and corruption, and modern slavery are set out in the Policies published on our website. All employees are required to complete annual training.

5. Risk management

The Group has established policies designed to identify, assess and manage risks which are supported by an organisation structure that ensures that responsibilities are clearly defined and communicated. Risks and related mitigating activities are reported to the Risk and Compliance Committee and the Board of Directors of Eversholt UK Rails Limited (the Company's parent) as well as the Audit, Risk and Treasury Committee.

Following an in-depth climate strategy and risk mapping workstream, climate-related and ESG risks have been integrated into the Group's Corporate Risk Management Procedure, ensuring risks are clearly owned and control measures are in place.

Principal risks and uncertainties

The principal risks and uncertainties reported in the Group's risk register are as follows:

Economic conditions

A change to the expected long-term economic outlook could impact the demand for, and the recoverable value of rolling stock. Such a change could result from, inter alia, war, financial crisis, climate change, pandemic or sovereign default. The Group regularly reviews long term economic forecasts, including inflation, interest rates and the demand for rolling stock. The Group mitigates part of its exposure to economic conditions through its contracting structure and hedging strategy.

Political and regulatory

There is a risk of unexpected changes to Government policy and funding of the railway industry, as well as changes in the scope and timing of infrastructure initiatives. Such changes could impact the Group's business model, profitability and demand for the Group's rolling stock. The Group fosters close relationships with key stakeholders and participates in rail industry consultations to understand and inform responses to developments.

Competition

The Group competes with other rolling stock owners to secure leases for existing and new rolling stock. The Group has a disciplined approach to the rental offers of rolling stock to operators, reflective of the re-letting risk at the end of the lease. An unexpected change in the extent of competition to own and lease rolling stock could result in pricing pressures, earlier than expected replacement of rolling stock and failure to win new rolling stock orders. The Group maintains detailed knowledge of the UK rolling stock fleet and new build alternatives, which informs its pricing of offers.

5. Risk management (continued)

Principal risks and uncertainties (continued)

Rail technology

Earlier or later than expected adoption of rail technology (including traction technology and on-board control systems) could impact demand for the Group's fleets. Dependent on the rail industry's ability to meet the Government's decarbonisation targets in response to climate change, certain rolling stock could become obsolete earlier or later than currently expected, impacting revenue and profitability. The Group seeks opportunities to enhance its fleets to improve their carbon footprint and work with its partners to develop suitable traction solutions for existing and new rolling stock.

Cyber security

The Group monitors and mitigates the threat of a cyber security breach on our business operations. Employees are required to partake in cyber security training and awareness events and the business undertakes regular testing of its defences. Our fleet management team participates in the cross-industry Rail Cyber Security Committee ("RCSC").

Safety and compliance with laws and regulation

The safe operation of the Group's fleets remains a key priority and fleet performance is constantly monitored for emerging trends that might indicate that a particular fleet has developed a problem.

Increasing complexity in rolling stock technology/interaction poses ongoing challenges to ensure safe and effective operation of the rail network. We have well developed policies and procedures to address and manage such risks and the Group recognises that non-compliance can lead to claims, damages, fines and penalties.

Treasury and credit rating

The Group is exposed to treasury risks including liquidity, counterparty, market and credit risk. These risks, together with an analysis of the exposure to such risks, are set out in note 32 of the financial statements.

A downgrade in the credit rating of the Group's traded bonds could be triggered by the financial impact of one of the above risks, or through a change in the credit rating assessment methodology. A treasury or credit rating risk may lead to an unexpected change in financing costs and the ability to raise funding for future investment. The Group, and its shareholders, remain committed to an investment grade rating.

Recoverable value of rolling stock

Many of the principal risks identified above manifest in a change in the residual value of the Group's operating lease assets.

An assessment of the value of all fleets is carried out by management at least annually. This assessment is based on the Group's knowledge of the assets and the rolling stock leasing market**.** The assessment provides a basis for determining whether a fleet may be impaired.

6. Financial performance

During the year, the Group generated operating lease rentals of £301.3m (2023: £298.8m) and a profit after tax of £72.1m (2023: loss of £6.7m). The increase in profit after tax in 2024 is primarily due to lower finance expense, following the settlement of intercompany borrowings as part of the 2023 group reorganisation. In addition, there is increased finance income and profit from changes in the value of derivative financial instruments. As at 31 December 2024 the Group had net liabilities of £14.4m (2023: £35.4m). The decrease in net liabilities at 31 December 2024 is largely driven by profit in the year. The Group employed an average of 104 staff (2023: 106).

The Group's results for the year are detailed in the Income statement on page 19.

The Group is principally financed by senior debt. The terms of the senior debt contain certain covenants, the business is managed to ensure compliance with these covenants and to protect its investment grade rating.

Strategic report (continued)

for the year ended 31 December 2024

6. Financial performance (continued)

As at 31 December 2024, Moody's Investors Services rating for the Group and its debt issued under the Group's Medium-Term Note ("MTN") programme was Baa2 (31 December 2023: Baa2). At the same date the Fitch Ratings grading for the Group was BBB (31 December 2023: BBB) and the bonds issued under its MTN programme were rated BBB+ (31 December 2023: BBB+).

Monthly management reporting and analysis to support business decisions includes consideration of the current and forecast measurements of:

- Leverage (net debt as a percentage of EBITDA (earnings before interest, tax, depreciation and amortisation));
- Interest cover (EBITDA divided by net interest payable);
- The extent to which net debt is covered by the net present value of anticipated capital rentals;
- Liquidity;
- Net exposure to interest rates and foreign exchange; and
- Profitability measured by EBITDA and profit after tax.

The Group also considers fleet utilisation and a number of key non-financial indicators relating to asset performance including condition, reliability and maintenance.

7. Customers, suppliers and industry stakeholders

During the year, the Group continued to develop and maintain strong relationships with its customers, suppliers and industry stakeholders (including national and sub-national transport services sponsors). Customer feedback is sought at regular contract reviews plus quarterly meetings attended by senior representatives from each company.

8. Communities

We continue to work with our charity partner, Back Up, an organisation that delivers services that build confidence and independence, and inspire people affected by spinal cord injury to transform their lives. We raise awareness of the charity, raise funds, provide volunteering opportunities for our staff as well as administration assistance and office space for meetings and training for the charity. Our charity partner is selected by our staff.

We also provide support to several industry organisations including National Rail Museum, Campaign for Better Transport and Community Rail Network. During 2024, we continued our partnerships with Primary Engineer and Wonderlab in conjunction with the National Rail Museum, York, to attract young people into Engineering.

Section 172(1) statement

In discharging their duty to promote the interests of the Company under section 172 Companies Act 2006, the Directors of the Company have regard to a number of factors and stakeholder interests. These are described below.

The Company was formed in 2017 to act as the parent of the Group. It undertakes no significant business activity. The Company is a wholly owned subsidiary and does not have any employees. Accordingly, the Directors do not consider the factors listed in section 172(1)(b) (interests' of the company's employees), section 172(1)(d) (the impact of the Company's operations on the community and the environment) or section 172(1)(f) (need to fact fairly between the members of the company) are relevant to the proper discharge of their duty under section 172.

Each of these factors is considered in relation to the Group's broader operations as explained in the section 172(1) statement within the Annual report and financial statements of Eversholt UK Rails Group Limited ("EUKRGL") (the ultimate parent company of the Eversholt UK Rails Group) for the year ended 31 December 2024.

Long-term consequences of business decisions and maintaining reputation for high standards of business conduct

The Company is the holding company of a group which operates in a sector characterised by long-term relationships between stakeholders, driven by a relatively small number of market participants.

Strategic report (continued)

for the year ended 31 December 2024

Section 172(1) statement (continued)

Long-term consequences of business decisions and maintaining reputation for high standards of business conduct (continued)

The Group provides rolling stock and rolling stock related services to TOCs and Freight Operating Companies (“FOCs”). TOCs operate rail concessions via National Rail Contracts (“NRCs”) for periods that vary from TOC to TOC but usually include a core term of between two and four years. As NRCs with privately owned TOCs expire, the concessions will be nationalised and operated by a government owned operator whose functions will eventually be integrated into GBR. Accordingly, consideration of long-term consequences is an inherent part of the Company's decision-making processes. As a privately-owned company ultimately held by an infrastructure investor, management considers that the interests of the Company and its ultimate owners are aligned in seeking sustainable value creation over the longer term through the Company's subsidiaries, promoting long-term strategic decision-making.

During 2024, management has made decisions in relation to the evaluation of potential investments, dividends payable to shareholders and capital amounts to be retained in the Group for investment purposes.

Identification of, and engagement with, stakeholder groups

The Company recognises the importance of maintaining strong relationships with its stakeholders in order to create sustainable long-term value, and the Board encourages active dialogue and transparency with all its stakeholder groups.

The Group has identified six main stakeholder groups which are relevant to the proper discharge of the duty of the Directors of relevant group companies under section 172(1) to promote the success of their company. These are:

- TOCs and FOCs – the Group's customers;
- Industry regulators and rail services sponsors (principally the Office of Rail and Road), the DfT, Transport Scotland, Transport for Wales and Transport for London (in their role providing funding and strategic direction for major rail projects), and other public bodies involved in the UK rail industry;
- The Group's suppliers – train manufacturing companies and other suppliers who supply and maintain rolling stock;
- The Group's external lenders;
- The Group's employees; and
- The Group's owners.

Given the purpose of the Company, the Board believes that two of these six stakeholder groups are relevant to the proper discharge of the duties of the Directors of the Company under section 172(1):

- The Group's external lenders; and
- The Group's owners.

Details of these groups, and the main methods that the Directors have used to engage with those stakeholders during the course of the year, are set out in the Parent Governance Statement.

Approved by the Board and signed on its behalf by:

M B Kenny
Director

Registered Office:
First Floor
Chancery House
53-64 Chancery Lane
London
WC2A 1QS
United Kingdom

17 April 2025

Directors' report

for the year ended 31 December 2024

The Directors present their Annual report together with the audited financial statements for the year ended 31 December 2024.

Directors

The Directors who served during the year and up to the date of signing were as follows:

M B Kenny
A J Wesson
LDC Securitisation Director No 3. Limited
D Spence
L R Warsop

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions in accordance with the provisions of the Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors. The Directors have no interests in the share capital of the Company.

Streamlined energy and carbon reporting ("SECR")

In preparing the Directors' report, the Group has implemented the 'Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018' (the "Regulations"), effective from 1 January 2021. In this respect the Group provides the following information for the year ended 31 December 2024:

In preparing the information in the table below, the Group has disclosed emissions data in line with the scope required by SECR. Further information around the Group's voluntary disclosures of wider value chain emissions, such as from rolling stock / depot assets operated by its customers, can be found in Section 4.4 of the Strategic report: Innovating to support the transport decarbonisation journey.

GHG Emissions & Energy Use Data for the year ended 31 December 2024, together with comparatives:

Year ended 31 December	**2024**	2023
Gas combustion (kWh)	**-**	-
Fuel consumption for transport purposes (kWh)	**30,682**	44,222
Electricity usage (kWh)	**-**	-
Emissions from combustion of gas, tCO_2e (Scope 1)*	**-**	-
Emissions from combustion of fuel for transport purposes, tCO_2e (Scope 2)	**-**	-
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel, tCO_2e (Scope 3)	**7.47**	10.83
Emissions from purchased electricity, tCO_2e (Scope 2, location-based)*	**-**	-
Total gross CO_2e based on above, tCO_2e	**7.47**	10.83
Intensity ratio: tCO_2e/employee (104 employees in 2024 and 106 in 2023)	**0.07**	0.10
Methodology	**All tCO2e emissions have been calculated using 2024 UK Government GHG conversion factors for Company Reporting**	All tCO_2e emissions have been calculated using 2023 UK Government GHG conversion factors for Company Reporting

Directors' report (continued)

for the year ended 31 December 2024

Streamlined energy and carbon reporting (continued)

* For 2024 building related gas consumption was 55,300 kWh, with associated carbon emissions of 10.11 tCO2e. In addition, there was building related electricity consumption of 64,030 kWh, with associated location-based carbon emissions of 13.26 tCO2e. For 2023 building related gas consumption was 13,736 kWh, with associated carbon emissions of 2.51 tCO2e. In addition, there was building related electricity consumption of 36,405 kWh, with associated location-based carbon emissions of 7.54 tCO2e. Both gas and electricity emissions figures are reported as wider Scope 3 emissions and therefore excluded from the table above. This classification was applied after conducting boundary testing, as the Group did not have operational control over the site to which the emissions pertain and is aimed at avoiding double counting of Scope 1 and 2 emissions. The associated emissions would have been reported as Scope 1 and 2 emissions by the office service providers (ie the property manager FORA in 2024 and We Work in 2023, as they retain(ed) operational control over the site. Please note that energy consumption for 2024 has increased compared to 2023, due to the relocation of the office accommodation to a larger space in 2024.

(a) Energy efficiency action taken:

In the period covered by the report, energy efficiency actions continued to be taken where possible and within the control of the Group. With the Group occupying serviced accommodation, energy initiatives are largely undertaken by the property managers. The property managers hold regular sustainability forums with its clients as occupiers of the accommodation, to discuss building initiatives which the Group actively attends. The Cycle to Work scheme continues to encourage our workforce to adopt greener modes of transport.

(b) Reporting methodology for 2024:

- GHG emissions have been calculated in accordance with HM Government's "Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance", March 2019 update.
- In order to calculate emissions "2024 UK Government GHG Conversion Factors for Company Reporting" have been used. Calculated GHG emissions have been rounded to 2 decimal places.
- Monthly electricity consumption data was provided by the property managers in total building kWh, proportionally split by occupied space. kWh's have been converted to tCO_2e using the above described GHG conversion factors.
- Monthly gas consumption data was provided by the property managers in kWh's in total building kWh, proportionally split by occupied space. kWh's have been converted to tCO_2e using the above described GHG conversion factors.
- Grey fleet usage was provided as a breakdown of mileage. Mileage figures were converted into tCO_2e using "2024 UK Government GHG Conversion Factors for Company Reporting". In 2023 the associated mileage for each vehicle was recorded along with the associated fuel source, allowing for the application of the relevant conversion factors for the average car size for each fuel type. To streamline the data collection process for 2024 and align with a systems based methodology, it was decided to use average car size conversion factors.

The scope of emissions reported in this section are in line with that of SECR requirements. However, there are additional scope emissions (currently outside the scope of SECR) that fall within the Group's value chain and fall within the scope of the GHG Protocol's Corporate Value Chain (Scope 3) Accounting and Reporting Standard. This is discussed further in section 4.4 of the Strategic report.

Details of the 2023 SECR methodology are set out in the Annual report and financial statements for the year ended 31 December 2023 for the relevant companies.

Fostering business relationships

The Group recognises the importance of maintaining strong relationships with its stakeholders in order to create sustainable long-term value, and the Board encourages active dialogue and transparency with all its stakeholder groups. Further information is included in the Strategic report and is within the scope of the Section 172(1) statement.

Political donations

No political donations were made during the financial year (2023: £nil).

Directors' report (continued)
for the year ended 31 December 2024

Risk management and corporate governance

Details of the Group's risk management are set out in the Strategic report within the Annual report and financial statements of EUKRGL. Corporate governance arrangements are set out in the Parent Governance Statement

Future developments

In July 2024, the UK Government announced that it would introduce legislation to establish Great British Railways ("GBR") and for previously franchised rail passenger services to be taken back into public ownership. Precise plans have not yet been set out for the roll-out of, and transition to GBR.

The UK Government policy continues to recognise the role of privately financed rolling stock leasing companies. We continue to monitor developments and engage with industry stakeholders regarding the establishment of GBR.

In March 2025 The Office of Rail and Road ("ORR") set out its plans to carry out a review of the Rolling Stock Leasing Market Investigation Order 2009 ("the Transparency Order"), in a similar exercise to one it concluded in April 2020. Over the coming months, we will engage with the ORR as part of this exercise.

The shareholders of the Company's ultimate parent, Eversholt UK Rails Group Limited, are currently evaluating a number of options in relation to their investment. This includes the possible sale of Eversholt UK Rails Group Limited. Other than a potential change of ownership, at this stage, it is not expected that the activity will have any material impact on the Company.

No other significant developments are currently anticipated, but the Directors keep opportunities under regular review.

Dividends

During the year, the Directors declared and paid dividends of £60.0m (2023: £33.7m).

Going concern basis

The Directors have considered the Group's forecasts and projections, together with the debt maturing in 2025; current financial resources (including cash of £358.1m (2023: £335.6m), short-term deposits of £75.0m, investment in financial assets of £3.6m and undrawn committed borrowing facilities of £450.0m as at 31 December 2024 (2023: £450.0m undrawn); projected performance against financial covenants; the high level of forecast revenue underpinned by existing lease agreements; the legal arrangements in place in the event of an operator default and the extent to which the UK Government is the "operator of last resort" in such circumstances; and potential mitigating actions. Downside and non-recovery of contracted revenue have been considered against the most recent forecasts in assessing the level of forecast revenue that would need to be lost before the Security Group breached any of its borrowing covenants.

The Directors are satisfied that under all reasonable sensitivities the Group has adequate resources to continue in existence for the period of at least 12 months from the date when the financial statements are authorised for issue.

Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information to the auditor

Each person who is a director at the date of approval of this report confirms that, so far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware and the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information. This confirmation is given pursuant to Section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

Auditor

During 2024, the Company undertook a tender process for the appointment of its Auditor for the year ending 31 December 2025 and it has been agreed that Deloitte LLP will continue as Auditor. Accordingly therefore and pursuant to Section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and Deloitte LLP will continue in office.

Directors' report (continued)
for the year ended 31 December 2024

Annual report on internal control over financial reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The Group's internal control over financial reporting and preparation of financial statements includes policies and procedures to ensure that:

1. records are maintained that accurately and completely record transactions and allow preparation of financial statements in accordance with UK endorsed International Financial Reporting Standards ("IFRS"); and
2. financial statements are complete and prepared in compliance with IFRS and relevant legal requirements.

There have been no changes in the Group's internal control over financial reporting that occurred during the year ended 31 December 2024 or in the previous year, that have materially affected or are reasonably likely to have materially affected the Group's internal control over financial reporting.

Approved by the Board and signed on its behalf by:

M B Kenny
Director

Registered Office:
First Floor
Chancery House
53-64 Chancery Lane
London
WC2A 1QS
United Kingdom

17 April 2025

Statement of Directors' responsibilities
for the year ended 31 December 2024

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the group financial statements in accordance with United Kingdom adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. The Directors have also chosen to prepare the parent company financial statements under United Kingdom adopted international accounting standards. 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, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This responsibility statement was approved by the board of Directors on 17 April 2025 and is signed on its behalf by:

M B Kenny
Director

A J Wesson
Director

Registered Office:
First Floor
Chancery House
53-64 Chancery Lane
London
WC2A 1QS
United Kingdom

Independent Auditor’s report to the Directors of Eversholt UK Rails (Holding) Limited and subsidiaries (Security group)

for the year ended 31 December 2024

Opinion

In our opinion:

- the financial statements of Eversholt UK Rails (Holding) Limited (the “parent company”) and its subsidiaries (the “Group”) (also referred to as the “Security Group”), give a true and fair view of the state of the Group’s and of the parent company’s affairs as at 31 December 2024 and of the Group’s profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted International accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Consolidated income statement;
- the Consolidated statement of comprehensive income;
- the Consolidated statement of financial position;
- the Consolidated statement of cash flows;
- the Consolidated statement of changes in equity;
- the related notes 1 to 36;
- the parent company statement of financial position;
- the parent company statement of cash flows;
- the parent company statement of changes in equity; and
- the related notes 1 to 17 to the parent company financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the “FRC’s”) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Our evaluation of the Directors’ assessment of the Group’s and parent company’s ability to continue to adopt the going concern basis of accounting included:

- Assessing the financing facilities available to the Group and the parent company. The values, terms and maturities of those facilities were confirmed to lender confirmations and underlying agreements;
- Challenging the assessment on the Group and parent company’s cash flows and its ability to meet its forecast obligations. The key assumptions tested included the amount of revenue supported by existing lease arrangements. We also examined the legal arrangements in place in the event of an operator default;
- Testing the mechanical accuracy of the model used to prepare the forecasts; and

Independent Auditor's report to the Directors of Eversholt UK Rails (Holding) Limited and subsidiaries (Security group) (continued)

for the year ended 31 December 2024

Conclusions relating to going concern (continued)

- Reviewing the disclosures in the financial statements to determine whether they appropriately present the key assumptions the Directors have made in assessing going concern.

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

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

Other information

The other information comprises the information included in the Annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

Independent Auditor's report to the Directors of Eversholt UK Rails (Holding) Limited and subsidiaries (Security group) (continued)

for the year ended 31 December 2024

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

We considered the nature of the Group's industry and its control environment and reviewed the Group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's business sector.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included International Financial Reporting Standards, the UK Companies Act, tax legislation and pensions legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group and parent company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, pensions, financial instruments and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our procedures performed to address them are described below:

Revenue recognition:

We are required by auditing standards (ISA 240) to presume that there is a fraud risk in relation to revenue recognition. We pinpointed the risk to the accuracy of maintenance income. The Group receives amounts upfront from train operators in respect of future maintenance. This is subsequently released to revenue in future periods as maintenance work is undertaken. There is a risk that revenue is not correctly recognised in line with contractual arrangements or that forecasts for future maintenance work are incorrect, and that revenue is subsequently not recognised on a timely basis.

Our procedures to respond to the risk identified included the following:

- We assessed the revenue recognition policies for maintenance income in accordance with IFRS, and looked for any changes compared to the policies. The assessment of key controls around the revenue cycle was performed to ensure that the business process has sufficient controls in place to support whether revenue has been recognised appropriately and in the correct period. Test of details was performed around the deferred income balance, to ensure that management's estimate is reasonable and appropriate.

Impairment of long-lived assets:

- We identified a significant audit risk around the impairment of rolling stock. These assets form a large proportion of the balance sheet and their utilisation is contingent upon winning lease contracts with TOCs. We pinpointed the risk to the re-leasing assumptions utilised. Management form key judgements related to each fleet's re-leasing opportunities, estimated future rental income and associated costs and discount rate.

Independent Auditor's report to the Directors of Eversholt UK Rails (Holding) Limited and subsidiaries (Security group) (continued)

for the year ended 31 December 2024

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

Our procedures to respond to the risk identified included the following:

- We have considered the cash flow models and scenarios modelled by management. We have challenged key judgements related to each re-leasing opportunity, estimated future rental income and associated costs.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with relevant tax authorities.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the Group and of the parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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 respect of these matters.

Independent Auditor's report to the Directors of Eversholt UK Rails (Holding) Limited and subsidiaries (Security group) (continued)

for the year ended 31 December 2024

Use of our report

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

Suzanne Gallagher

Suzanne Gallagher FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading
United Kingdom

17 April 2025

Consolidated income statement
for the year ended 31 December 2024

	Note	Group Year ended 31 December 2024 £'000	 Year ended 31 December 2023* £'000
Revenue			
Operating lease income	***4.1***	**301,302**	298,788
Maintenance income	***4.1***	**10,383**	23,393
Finance lease income	***4.1***	**250**	270
Other income	***4.1***	**6,053**	3,327
Total revenue	***4.1***	**317,988**	325,778
Cost of sales	***5***	**(122,737)**	(134,697)
Gross profit		**195,251**	191,081
Finance income	***6***	**22,031**	15,632
Finance expense	***7***	**(117,336)**	(162,182)
Net fair value gain / (loss) on derivative financial instruments	***17***	**16,687**	(11,000)
Pension finance credit	***31.6***	**33**	130
Administrative expense	***8***	**(29,664)**	(26,114)
Profit on disposal of property, plant and equipment		**515**	1,103
Profit before tax		**87,517**	8,650
Income tax charge	***11***	**(15,416)**	(15,377)
Profit/(loss) for the year		**72,101**	(6,727)

There were no discontinued or discontinuing operations during the year.
The notes on pages 25 to 67 form an integral part of these financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2024

	Note	Group Year ended 31 December 2024 £'000	 Year ended 31 December 2023* £'000
Profit/(loss) for the year		**72,101**	(6,727)
Other comprehensive income / (expense)			
Actuarial loss on defined benefit scheme	***31.7***	**(1,365)**	(2,067)
Tax credit in respect of actuarial loss on defined benefit scheme	***18***	**341**	517
Effective portion of changes in fair value of cash flow hedges	***17***	**8,794**	1,187
Transfer of loss on cash flow hedges to Income statement	***17***	**4,525**	4,894
Transfer of loss on cash flow hedges to property, plant and equipment	***17***	**-**	174
Revaluation of EUR cash deposits through Other comprehensive income	***17***	**-**	(505)
Tax charge on effective portion of changes in fair value of cash flow hedges	***17***	**(3,330)**	(1,404)
Total other comprehensive income		**8,965**	2,796
Total comprehensive income / (expense) for the year		**81,066**	(3,931)

*Refer to note 2.1 for further details regarding the prior year restatement.

Effective portion of changes in fair value cash flow hedges, together with related tax effects, may be reclassified to the Income statement in future years. Amounts relating to other items would be recycled through reserves.

Consolidated statement of financial position (continued)
s at 31 December 2024

		Group		
		As at 31 December 2024	**As at 31 December 2023***	**As at 1 January 2023***
Assets	***Note***	**£'000**	**£'000**	**£'000**
Non-current assets				
Property, plant and equipment	***12***	**1,767,946**	1,871,849	1,971,413
Right-of-use assets	***13***	**6,016**	6,617	7,247
Finance lease receivables	***14***	**3,082**	-	900
Derivative financial instruments	***17***	**157,627**	109,220	124,710
Retirement benefit asset	***31.5***	**-**	676	2,679
Deferred tax		**-**	15	331
		1,934,671	1,988,377	2,107,280
Current assets				
Finance lease receivables	***14***	**1,190**	900	1,265
Contract assets	***4.2***	**5,563**	12,755	6,808
Trade and other receivables	***15***	**13,736**	12,953	15,200
Current tax	***11***	**16,454**	9,727	9,727
Cash and cash equivalents	***20***	**358,096**	335,570	270,818
Short-term deposits with maturity greater than three months	***20***	**75,000**	-	-
Other financial assets	***21***	**3,618**	-	-
		473,657	371,905	303,818
Total assets		**2,408,328**	2,360,282	2,411,098
Liabilities and equity				
Current liabilities				
Trade and other payables	***22***	**48,416**	50,086	66,510
Contract liabilities	***4.2***	**7,275**	7,250	8,625
Lease liabilities	***16***	**613**	585	617
Current tax		**-**	2,026	3,024
Borrowings	***23***	**337,704**	71,062	71,468
Other liabilities	***25***	**14,874**	17,277	22,450
Provisions	***26***	**-**	25	-
		408,882	148,311	172,694
Non-current liabilities				
Retirement benefit obligations	***31.5***	**710**	-	-
Borrowings	***23***	**1,453,569**	1,775,306	2,166,395
Deferred tax	***18***	**5,179**	-	-
Contract liabilities	***4.2***	**32,114**	16,180	929
Other liabilities	***25***	**278,725**	236,495	189,336
Derivative financial instruments	***17***	**230,874**	207,923	212,990
Lease liabilities	***16***	**6,441**	6,538	7,132
Provisions	***2***	**6,215**	4,976	-
		2,013,827	2,247,418	2,576,782
Total liabilities		**2,422,709**	2,395,729	2,749,476
Equity				
Share capital	***27***	**-**	-	-
Other reserve		**13,672**	13,672	13,672
Retained earnings / (accumulated deficit)		**13,774**	2,697	(295,888)
Hedging reserve		**(41,827)**	(51,816)	(56,162)
Total equity		**(14,381)**	(35,447)	(338,378)
Total equity and liabilities		**2,408,328**	2,360,282	2,411,098

*Refer to note 2.1 for further details regarding the prior year restatement.

The notes on pages 25 to 67 form an integral part of these financial statements. The financial statements were approved by the Board of Directors and authorised for issue on 17 April 2025. They were signed on its behalf by:

A J Wesson
Director
Company registration number: 10783654

Consolidated statement of cash flows
for the year ended 31 December 2024

		Group	
	Note	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Cash flow from operating activities			
Profit before tax		**87,517**	8,650
Adjustments for:			
- Depreciation	***12***	**96,416**	99,588
- Write down of rolling stock	***12***	**13,017**	16,430
- Depreciation of right-of-use assets	***13***	**601**	630
- Write-down of right-of-use assets	***13***	**101**	-
- Fair value (gain) / loss on derivative financial instrument	***17***	**(16,687)**	11,000
- Profit on disposal of property, plant and equipment		**(515)**	(1,103)
- Amortisation of capitalised transaction costs	***7 / 24***	**488**	488
- Finance expense	***7***	**116,848**	161,694
- Finance income	***6***	**(22,031)**	(15,632)
- Other income	***4.1***	**(4,193)**	-
- Adjustment for non-cash element of pension charge		**21**	(64)
Operating cash flow before changes in working capital		**271,583**	281,681
Decrease in finance lease receivables		**1,270**	1,265
Decrease / (increase) in trade and other receivables and contract assets		**6,409**	(3,700)
Decrease in other and contract liabilities		**41,681**	44,834
Increase in provisions	***2***	**1,214**	25
Decrease in trade and other payables		**(1,670)**	(11,217)
Cash flow generated by operating activities		**320,487**	312,888
Taxation paid		**(21,964)**	(16,946)
Interest received	***6***	**21,914**	15,632
Net cash generated by operating activities		**320,437**	311,574
Cash flow from investing activities			
Acquisition of property, plant and equipment	***12***	**(5,530)**	(16,280)
Proceeds from disposal of property, plant and equipment		**515**	1,103
Other financial assets	***21***	**(3,501)**	-
Short-term deposits with maturity greater than three months	***20***	**(75,000)**	-
Net cash utilised in investing activities		**(83,516)**	(15,177)
Cash flow from financing activities			
External borrowings paid	***24***	**(57,712)**	(54,212)
Repayment of lease liability	***16***	**(768)**	(778)
Interest paid on bonds	***24***	**(83,697)**	(85,648)
Interest paid on loan from Eversholt UK Rails Limited	***24***	**-**	(45,530)
Profit Participating Shares interest paid	***24***	**(514)**	(320)
Interest paid on swaps	***24***	**(9,374)**	(9,008)
Other financing fees		**(2,330)**	(1,944)
Dividends paid	***29***	**(60,000)**	(33,700)
Net cash utilised in financing activities		**(214,395)**	(231,140)
Net movement in cash and cash equivalents		**22,526**	65,257
Net foreign exchange differences	***17***	**-**	(505)
Cash and cash equivalents at the beginning of the year		**335,570**	270,818
Cash and cash equivalents at the end of the year	***20***	**358,096**	335,570

Consolidated statement of changes in equity
for the year ended 31 December 2024

	Note	**Share capital £'000**	**Share Premium £'000**	**Other Reserve £'000**	**Hedging reserve £'000**	**(Accumulated deficit) / Retained earnings £'000**	**Total equity £'000**
Balance at 1 January 2023 (as previously reported)		-	-	13,672	(56,162)	(347,515)	(390,005)
Cumulative adjustments to opening balances*					-	51,627	51,627
Balance at 1 January 2023 (Restated*)		-	-	13,672	(56,162)	(295,888)	(338,378)
Loss for the year (Restated*)		-	-	-	-	(6,727)	(6,727)
Effective portion of changes in fair value of cash flow hedges	*17*	-	-	-	1,187	-	1,187
Transfer of loss on cash flow hedges to Income statement	*17*	-	-	-	4,894	-	4,894
Transfer of loss on cash flow hedges to property, plant and equipment	*17*	-	-	-	174	-	174
Revaluation of EUR cash deposits through Other comprehensive income		-	-	-	(505)	-	(505)
Tax charge on changes in effective portion of changes in fair value of cash flow hedges	*17*	-	-	-	(1,404)	-	(1,404)
Actuarial loss on defined benefit scheme after tax		-	-	-	-	(1,550)	(1,550)
Total comprehensive income / (expense)		-		-	4,346	(8,277)	(3,931)
Issue of share capital	*27*	-	340,562	-	-	-	340,562
Capital reduction	*27*	-	(340,562)	-	-	340,562	-
Dividend paid	*29*	-	-	-	-	(33,700)	(33,700)
Balance at 31 December 2023 (Restated*)		**-**	**-**	**13,672**	**(51,816)**	**2,697**	**(35,447)**
Profit for the year		**-**	**-**	**-**	**-**	**72,101**	**72,101**
Effective portion of changes in fair value of cash flow hedges	*17*	**-**	**-**	**-**	**8,794**	**-**	**8,794**
Transfer of loss on cash flow hedges to Income statement	*17*	**-**	**-**	**-**	**4,525**	**-**	**4,525**
Tax charge on changes in effective portion of changes in fair value of cash flow hedges	*17*	**-**	**-**	**-**	**(3,330)**	**-**	**(3,330)**
Actuarial loss on defined benefit scheme after tax		**-**	**-**	**-**	**-**	**(1,024)**	**(1,024)**
Total comprehensive income		**-**	**-**	**-**	**9,989**	**71,077**	**81,066**
Dividend paid	*29*	**-**	**-**	**-**	**-**	**(60,000)**	**(60,000)**
Balance at 31 December 2024		**-**	**-**	**13,672**	**(41,827)**	**13,774**	**(14,381)**

*Refer to note 2.1 for further details regarding the prior year restatement.

Consolidated statement of changes in equity (continued)

for the year ended 31 December 2024

Dividends of £582,524 (2023: £327,184) per share were paid during the year.

“Other reserve” arose as a consequence of the 2017 restructure, by which the Company acquired 100% of the share capital of Eversholt Investment Limited from Eversholt UK Rails Limited. The Group is accounted for under merger accounting principles, on the basis that the Company and Eversholt Investment Limited were controlled by the same entity both before and after the group reconstruction. There was therefore no loss of control of the subsidiary undertakings during the restructure. The results of the Group have been (and continue to be) prepared on the basis that the Group has always existed in its current form. The amount in Other reserve is the difference on consolidation arising from the change in the head of group post the reorganisation, being the difference between the share capital and share premium from the previous head of the group (Eversholt Investment Limited) and the new head (Eversholt UK Rails (Holding) Limited).

Notes to the consolidated annual financial statements
for the year ended 31 December 2024

1 General Information

Eversholt UK Rails (Holding) Limited is a private company incorporated in England and Wales and is limited by shares (see note 27). The registered office of the Company is First Floor, Chancery House, 53-64 Chancery Lane, London, WC2A 1QS, United Kingdom.

2 Basis of Preparation

These financial statements are presented in sterling (£'000), which is also the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

These financial statements comprise the consolidated financial statements of Eversholt UK Rails (Holding) Limited and subsidiaries (the "Group"), together with the Company only financial statements of Eversholt UK Rails (Holding) Limited (the "Company").

2.1 Prior year restatement

The Group has re-presented from trade and other payables amounts totalling £4,976,000 for the year ended 31 December 2023, which are now shown as a non-current provision in the consolidated statement of financial position. During 2024, the balance has increased from £4,976,000 to £6,215,000 and it is considered appropriate to classify the amount as a non-current provision.

The consolidated financial statements also include a prior year restatement in relation to the deferred tax treatment of a transfer of rolling stock assets between two subsidiaries in 2015. A reassessment of the application of IAS 12 to the transfer has identified a material difference in deferred tax. The transfer gave rise to a gain for the transferor and recognition of the rolling stock in the transferee's accounts at a higher value than previously carried by the transferor. This intra group gain/uplift in the carrying value of rolling stock was eliminated in the accounts of the Security Group and should have, but had not, been regarded as a temporary difference for deferred tax purposes under IAS 12 Income Taxes. The deferred tax associated with this temporary difference reduces through the tax charge in the Income statement. The Group has corrected this as a prior year adjustment.

The table below summarises the impact of the restatement:

		Group		
	Note	**As previously reported £'000**	**Adjustment £'000**	**Restated £'000**
Statement of financial position as at 1 January 2023				
Deferred tax (liability)/asset	***18***	**(51,296)**	51,627	331
Accumulated deficit		**347,515**	(51,627)	295,888
Income statement for the year ended 31 December 2023				
Income tax charge	***11***	**8,858**	6,519	15,377
Statement of financial position as at 31 December 2023				
Deferred tax (liability)/asset	***18***	**(45,093)**	45,108	15
Accumulated deficit/(retained earnings)		**42,411**	(45,108)	(2,697)

2.2 Basis of consolidation

All subsidiaries are consolidated from the date that the Company gains control.

The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The acquisition method of accounting is used when subsidiaries are acquired by the Group. The cost of acquisition is measured at the fair value of the consideration, including contingent consideration, given at the date of completion. Acquisition-related costs are recognised as an expense in the Income statement in the period in which they are incurred. The acquired assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition.

Entities that are controlled by the Company are consolidated until the date that control ceases. All intercompany transactions are eliminated on consolidation.

2 Basis of Preparation (continued)

2.3 Compliance with IFRS

The consolidated financial statements of the Group have been prepared on the historical cost basis except for derivative financial instruments and defined pension scheme assets measured at fair value. These financial statements have been prepared in accordance with IFRS Accounting Standards, issued by the IASB and endorsed for use in the UK by the UK Endorsement Board, referred to as "UK-adopted IFRS".

UK endorsed IFRS Accounting Standards may differ from IFRS Accounting Standards as issued by the IASB if, at this point in time, new or amended IFRS Accounting Standards have not been adopted by the UK. At 31 December 2024, there were no unendorsed standards effective for the year ended 31 December 2024 affecting these financial statements, and there was no difference between IFRS Accounting Standards adopted by the UK and IFRS Accounting Standards issued by the IASB in terms of their application to the Company and the Group.

IFRS Accounting Standards comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the IFRS Interpretations Committee and its predecessor body.

2.4 Standards and interpretations issued by the IASB

During the year, the Group adopted the following amendments to standards which were UK endorsed and effective for accounting periods beginning on or after 1 January 2024. They have no material effect on the financial statements, unless otherwise stated:

Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

The amendments require disclosure of information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about exposure to concentration of liquidity risk.

Amendments to IAS 1 Presentation of Financial Statements a) Non-current Liabilities with Covenants; b) Deferral of Effective Date Amendment; c) Classification of Liabilities as Current or Non-Current

The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments:

- clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.
- specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2024

2 Basis of Preparation (continued)

2.4 Standards and interpretations issued by the IASB (continued)

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine "lease payments" or "revised lease payments" such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

Other

At 31 December 2024, a number of amendments to standards have been issued by the IASB, which are not effective for the Company/Group's financial statements as at 31 December 2024. Subject to UK adoption (unless otherwise stated), they are applicable for the following accounting periods and except for IFRS 18 and IFRS 19 are not anticipated to have a material impact on the financial statements:
Effective for accounting periods beginning on or after:

- 1 January 2025 - Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (adopted in 2024).
- 1 January 2026 - Amendments to the Classification and Measurement of Financial Instruments
- 1 January 2026 – Annual improvements to IFRS Accounting Standard – Volume 11
- 1 January 2027 - IFRS 18 Presentation and Disclosure in Financial Statements
- 1 January 2027 - IFRS 19 Subsidiaries without Public Accountability: Disclosures

In relation to IFRS 18, the principal impact will be on the presentation of items within the income statement, whilst IFRS 19 might offer scope to reduce disclosure within the financial statements of subsidiary companies in the Group. Potential impacts are currently being considered.

2.5 Going concern

The Directors have considered the Group's forecasts and projections, together with the debt maturing in 2025; current financial resources (including cash of £358m (2023: £336m), short-term deposits of £75.0m, investment in financial assets of £3.6m and undrawn committed borrowing facilities of £450m as at 31 December 2024 (2023: £450m undrawn); projected performance against financial covenants; the high level of forecast revenue underpinned by existing lease agreements; the legal arrangements in place in the event of an operator default and the extent to which the UK Government is the "operator of last resort" in such circumstances; and potential mitigating actions. Downside and non-recovery of contracted revenue have been considered against the most recent forecasts in assessing the level of forecast revenue that would need to be lost before the Security Group breached any of its borrowing covenants. The Directors are satisfied that under all reasonable sensitivities the Group has adequate resources to continue in existence for the period of at least 12 months from the date when the financial statements are authorised for issue.

Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

3 Summary of material accounting policies

The material accounting policies adopted are set out below and have been applied consistently to all years presented in these financial statements.

3.1 Accounting for lease transactions

The Group as lessee

The Group assesses whether a contract contains a lease, at contract inception and recognises a right-of-use asset and a corresponding lease liability for all lease arrangements, except for leases whose term does not exceed one year or leases of low valued items. For such leases, the Group recognises lease payments as an operating expense on a straight-line basis.

The lease liability is initially measured at the present value of outstanding lease payments at the commencement date, discounted at the rate implicit in the lease, or the Group's incremental borrowing rate if the implicit rate is not readily available. The incremental borrowing rate reflects the rate at which funds could be borrowed for a period equal to the lease term, where borrowing is secured on the leased asset.

3 Summary of material accounting policies (continued)

3.1 Accounting for lease transactions (continued)

Lease payments comprise fixed payments. If applicable, lease payments also include:

- Variable payments determined by an index or rate;
- Amounts expected to be paid under a residual value guarantee;
- The exercise price of a purchase option, if reasonably certain that the option will be exercised; and
- Any payment due on lease termination, if the lease term reflects such termination.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect lease payments.

The lease liability (with consequent adjustment to the right-of-use asset) is re-measured if:

- The lease term changes or there is a change in the assessment of whether a purchase option will be exercised - the liability is updated to equal the present value of the revised payments, using a revised discount rate at that time.
- The lease payments change because of a change in the rate/index or expected residual value guarantee payment - the liability is updated to equal the present value of the revised payments, using the original discount rate. Revised discount rates are used if payment changes arise from a floating interest rate change.
- A lease is modified and the change is not accounted for as a new lease – the liability is updated to equal the present value of the revised cashflows, using a revised discount rate.

The right-of-use asset comprises the initial measurement of the lease liability, lease payments made by lease commencement and any initial direct costs, depreciated straight-line over the term of the related lease (being 17 years, 9 months), it is subsequently measured at cost less accumulated depreciation and impairment losses.

The Group as lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership to the lessee. Otherwise, the lease is classified as an operating lease.

The Group enters into operating lease arrangements as lessor with respect to rolling stock and other railway assets, classified as Property, plant and equipment (note 12).

If the Group is an intermediate lessor, it accounts for the headlease and the sublease as two separate arrangements.

Rental income from operating leases is recognised on a straight-line basis over the lease term of the related lease. Initial direct costs incurred in negotiation and arranging an operating lease are added to the initial carrying amount of the lease asset and recognised straight-line over the lease term and subsequent direct costs are expensed as incurred.

Amounts due from lessees under a finance lease are recognised at an amount equal to the Group’s net investment in the leases. Finance lease income is allocated to periods so as to reflect a constant periodic rate of return on the Group’s net investment in respect of the lease.

An extension of a lease that is classified as a finance lease both before and after the modification and which does not give rise to a new lease, is accounted through remeasurement of the original lease receivable. This modified lease receivable is equal to the present value of the modified lease rentals, discounted at the constant periodic rate of return used to allocate finance lease income from the original lease. Any remeasurement gain or loss is recognised immediately in the income statement as "Other income".

3.2 Finance income and expense

Finance income and expense for all interest bearing non-derivative financial instruments is recognised in “Finance income” and “Finance expense” in the Income statement using the effective interest rate method. The effective interest rate method is a way of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant periods.

3 Summary of material accounting policies (continued)

3.2 Finance income and expense (continued)

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability on initial recognition. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses.

The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

Finance income also includes interest on overpaid tax. Finance expense also includes interest payable in relation to derivative instruments and lease liability interest, together with interest on overdue tax.

3.3 Fees and other income

Income is recognised on satisfaction of the performance obligation in relation to the service required by the customer and when control of that service is passed to the customer. Income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in “Finance income”.

3.4 Income tax

Income tax comprises current and deferred tax.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the end of the year and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Group intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. 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 future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the years in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the end of the year. Deferred tax assets and liabilities are offset if, and only if:

(a) there is a legally enforceable right to set off current tax assets against current tax liabilities; and
(b) the deferred tax assets and the deferred tax liabilities relate to income tax levied by the same taxation authority on either:
   (i) the same taxable entity; or
   (ii) different taxable entities that intended to either settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

3.5 Property, plant and equipment

In accordance with IFRS 3 “Business Combinations” rolling stock and other railway assets were restated to their fair value upon acquisition of the Group following a business combination in December 2010.

In the normal course of business, rolling stock and other railway assets are recognised at cost and are depreciated on a straight-line basis over their useful economic lives to their estimated residual value. The useful economic life depends on the class of vehicle and type of asset and ranges from 20 to 40 years. Useful economic lives and carrying values are reviewed at least annually.

3 Summary of material accounting policies (continued)

3.5 Property, plant and equipment (continued)

In relation to the construction of rolling stock and other railway assets:

i) Progress payments paid to third parties are capitalised.
ii) Interest costs are capitalised to the extent that they are incurred in relation to borrowings, which are attributable to the expenditure necessary to progress the construction of assets.
iii) Assets in the course of construction are not depreciated until they are available for use.

Equipment, fixtures and fittings are stated at cost, being the fair value at acquisition date less any impairment losses and depreciation calculated on a straight-line basis to write-down the assets over 2 to 5 years.

Assets held under finance leases are depreciated over the expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The depreciation charge is included in the Income statement as detailed in notes 5 and 8.

The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income statement.

At each reporting date, the Group reviews the carrying value of its rolling stock and railway assets to determine whether there is any indication that the assets have suffered an impairment loss. If there is an indication that impairment exists, the recoverable amount of the asset is estimated to determine the extent of the impairment.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. The impairment loss is recognised immediately in the Income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised immediately in the Income statement. The associated credit is recognised in the Income statement.

3.6 Subsidiaries

The Group classifies investments in entities which it controls as subsidiaries. The Group’s investments in subsidiaries are stated at cost being the fair value at acquisition date less any impairment losses. Any impairment loss recognised in prior years shall be reversed through the Income statement if, and only if, there has been a change in the estimates used to determine the recoverable amount of the investment in the subsidiary since the last impairment loss was recognised.

3.7 Financial instruments

Financial assets and financial liabilities are recognised in the Group’s Statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Classification and measurement

Financial assets are classified and measured by reference to the business model in which the assets are managed and their cash flow characteristics. Details in relation to financial liabilities are considered below.

The Group holds the following classes of financial instruments:

Trade and other receivables

These are held in order to collect the related contractual cash flows and contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

3 Summary of material accounting policies (continued)

3.7 Financial instruments (continued)

They are derecognised when either borrowers repay their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred.

Cash and cash equivalents

For the purpose of the Statement of cash flows, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition, and include cash. Short term cash deposits of greater than three months maturity, are not cash equivalents and are presented separately.

Financial liabilities

Financial liabilities are classified as either financial liabilities at "fair value through profit or loss" or "other" financial liabilities.

Other than derivative liabilities, financial liabilities are initially measured at fair value less any transaction costs that are directly attributable to the purchase or issue. Subsequent to initial recognition, financial liabilities, other than derivatives are measured at amortised cost using the effective interest rate method.

The Group derecognises the financial liability when the obligations specified in the contract expire, are discharged or cancelled.

Impairment of financial assets

Allowance for lifetime expected credit losses ("ECL") is recognised for:

- Trade receivables and Contract assets which result from transactions within the scope of IFRS 15 and which do not contain a significant financing component; and
- Finance lease receivables which are outside the scope of IFRS 9 for classification and measurement purposes, but in the scope for impairment.

12-month ECL allowance is carried for other financial assets carried at amortised cost where the credit risk has not increased significantly since the initial recognition. Where credit risk has increased significantly, lifetime ECL allowance will be carried.

Financial assets for which there is objective evidence of impairment, are considered to be in default or otherwise credit-impaired for disclosure purposes.

Financial assets (and the related impairment allowances) are written off, either partially or in full, when there is no realistic prospect of recovery. The amounts written off take into account the proceeds from realisation of any collateral underpinning the asset.

Restructuring/renegotiation of financial instruments

A financial asset or financial liability that is renegotiated/restructured is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified such that the renegotiated/restructured asset or liability is a substantially different financial instrument. The difference between the carrying value of the original agreement and the amount at which the new agreement is initially recognised, is reflected in the Income statement.

Where the terms are not substantially different, the carrying value of the original (unmodified) instrument is replaced by the present value of the cashflows of the modified instrument, discounted at the effective interest rate of the original instrument. Any corresponding adjustment is recognised in the Income statement.

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3 Summary of material accounting policies (continued)

3.7 Financial instruments (continued)

Derivatives and hedge accounting

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate fluctuations.

Derivative financial instruments are recognised at fair value. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Where derivatives do not qualify for hedge accounting the gain or loss on remeasurement to fair value is recognised immediately in the Income statement. However, where derivatives qualify for hedge accounting, the Group recognises the effective part of any gain or loss on the derivative financial instrument in Other comprehensive income, which is accounted for in the Hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Income statement. The effective part of any gain/loss is the lower of:

(a) the cumulative gain or loss on the fair value of the hedging instrument from hedge inception; and

(b) the cumulative gain or loss in the fair value of the hedged item from hedge inception.

When the hedging relationship ends the hedging gain or loss recognised in Other comprehensive income is reclassified to the Income statement when the hedged item is recognised in the Income statement. When the hedged item relates to a capital expenditure transaction and the hedging relationship ends, the hedging gain or loss recognised in Other comprehensive income is amortised to Property, plant and equipment over the life of the hedged item. If the hedging instrument is terminated, related amounts remain in the hedging reserve provided that the hedged future cashflows are still expected to occur.

Movements in deferred tax relating to the effective portion of changes in fair value of derivatives qualifying for hedge accounting are recognised in Other comprehensive income and accumulated in the Hedging reserve.

Foreign currency denominated non-derivative financial assets can also be used to manage exposure to foreign exchange rate fluctuations. Where qualifying for hedge accounting, the effective part of exchange differences arising on translating the carrying value of financial assets will be recognised in Other comprehensive income, which is accounted for in the Hedging reserve. Events affecting the hedge relationship are accounted for in the manner as described when the hedging instrument is a derivative.

Determination of fair value

All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration paid or received). If there is a difference on initial recognition between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, that difference is recognised as a trading gain or loss at that time (a “day one gain or loss”). In all other cases, the day one gain or loss is deferred and recognised in the income statement over the life of the transaction until the transaction matures or settled early.

If the transaction price is fair value at initial recognition and a valuation technique that uses unobservable inputs will be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the result of the valuation technique equals the transaction price.

Subsequent to initial recognition:

- the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison to similar instruments where market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants.
- when measuring fair value using a valuation technique that uses unobservable inputs, that technique will reflect observable market data at the measurement date.

3 Summary of material accounting policies (continued)

3.7 Financial instruments (continued)

Where required, fair values are calculated by discounting future cash flows on financial instruments, using equivalent current interest rates and, where appropriate, incorporate credit and debit valuation adjustments which reflect counterparty and issuer credit risk as well as funding valuation adjustments incorporated to reflect associated funding costs.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Transfers between levels of the fair value hierarchy are recognised at the end of the year during which the change occurred.

3.8 Statement of cash flows

The Statement of cash flows has been prepared on the basis that, with the exception of tax related transactions which are classified under “Operating activities”, movements in intercompany balances are shown under the heading of “Financing activities”. Such movements arise ultimately from the Group’s financing activities, through which the Group will acquire resources intended to generate future income and cash flows.

3.9 Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets.

Dividends payable in relation to equity shares are recognised as a liability in the year in which they are declared.

3.10 Maintenance income, costs, contract assets and liabilities

Following the industry standard and as acknowledged by legislation, heavy maintenance services are provided to successive lessees based on a whole-of-life model. Amounts received under these arrangements that relate to maintenance services to be performed in future years are included in contract liabilities. When maintenance services are performed, the cost of which will be recovered under these arrangements only in future years, the future recoverable amount is included in contract assets.

Revenue from maintenance services rendered is recognised when the services are provided and performance obligations satisfied. In all cases maintenance costs are expensed as incurred. Such amounts can include costs incidental to services (e.g. storage and appropriate development costs) as well as direct maintenance expenditure.

3.11 Retirement benefit schemes

The Group provides defined benefit and defined contribution schemes for directors and staff. The defined benefit scheme is funded by contributions partly from the employees and partly from the Group at rates assessed by an independent actuary. These contributions are invested separately from the Group’s assets.

The Group’s obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) is deducted. The Group determines the net interest on the net defined benefit liability/asset for the year by applying the discount rate used to measure the defined benefit obligation/asset at the beginning of the annual period to the net defined benefit liability/asset.

3 Summary of material accounting policies (continued)

3.11 Retirement benefit schemes

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in Other comprehensive income and all other expenses related to defined benefit plans in administrative expense in the Income statement.

The calculation of the defined benefit obligation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, having taken into account the fair value of any plan assets, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The defined benefit asset or obligation recognised in the Statement of financial position represents the difference between the fair value of plan assets less present value of defined benefit obligation adjusted for unrecognised past service costs.

Any net defined benefit surplus is limited to unrecognised past service costs plus the present value of available refunds and reductions in future contributions to the plan.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

3.12 Preference shares

Preference shares issued by the Group are classified as a liability where the holder of these shares has a fixed entitlement to a dividend. The dividend payable is recorded within finance expense.

3.13 New accounting policy applied for the first time in 2024

Investment in financial assets

The policy in relation to “Investment in financial assets” is applied to the Group’s investments in money market liquidity funds and is described below:

Investments in money market liquidity funds are measured at fair value through profit or loss where they have the potential to generate cash flows that are other than solely payments of principal and interest.

Otherwise, they are carried at amortised cost. They are initially recorded at fair value plus any directly attributable transaction costs.

3.14 Use of judgements, estimates and assumptions

In the application of the Group’s accounting policies, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. This can lead to measurement that involves uncertainty. In such case, an accounting estimate is developed to achieve the objective established by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information, reflecting historical experience and other relevant factors.

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

In addition, IAS 1 “presentation of Financial Statements”, requires disclosure of judgements made by management in applying an entity’s accounting policies, other than those relating to estimation uncertainty (see below). As in prior years, no significant judgements are noted. Other than in relation to the valuation of the defined pension obligations, the value in use of rolling stock and tax, there are no significant estimates and assumptions in applying the Group’s accounting policies. Accounting estimates are considered significant in the context of IAS 1, if there is a significant risk of a material change to the carrying value of assets and liabilities within the next year.

3 Summary of material accounting policies (continued)

3.14 Use of judgements, estimates and assumptions (continued)

Significant estimates and assumptions in applying the Group's accounting policies

The following are the areas involving significant estimates and assumptions that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

- Valuation of defined benefit retirement scheme – see note 31; and
- Recoverability and value in use of rolling stock – see note 3.14b and 12;
- Tax – see note 11.

a. Valuation of defined benefit retirement scheme

In making their estimate of the valuation of the defined benefit pension scheme, the Directors have made a number of assumptions, based on advice from an independent actuary. The Directors are required to estimate the future rates of inflation, discount rates and life expectancy of members, each of which may have a material impact on the valuation of the defined benefit pension scheme. Sensitivities to changes in these assumptions are shown in note 31.

b. Recoverable value in use of rolling stock assets

The Group undertakes a review of carrying values of its rolling stock assets at least annually.

If there is an indication of impairment of a specific rolling stock fleet, a loss will be recognised to reduce the carrying value to its recoverable value, as determined by its value in use. Value in use is calculated based on the forecast rentals which the assets will generate over their remaining useful economic lives, having regard to the fleet's current and future prospects under a range of re-leasing scenarios. Future rentals are forecast based on past performance, expectation of future performance and market information. Forecast future rentals are discounted assuming a market pre-tax discount rate incorporating the time value of money and asset specific risks.

Recoverable value is sensitive to changes in the assumptions described above. The table below illustrates the impact of changes in assumptions on recoverable value for the Group's rolling stock fleet as a whole:

	Group Recoverable value Increase/(decrease)	
	31 December 2024 £'000	**31 December 2023 £'000**
End of final lease term		
1 year increase	**31,156**	44,578
1 year reduction	**(36,754)**	(43,746)
Projected rentals:		
1% increase	**17,688**	17,325
1% reduction	**(17,688)**	(17,325)
Discount rate*:		
0.3% (2022: 0.3%) increase	**(49,793)**	(55,270)
0.3% (2022: 0.3%) reduction	**51,778**	57,566

* 0.3% change is used in the discount rate sensitivity analysis, in light of the current market conditions.

The assumptions in relation to the above are the only key areas that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year. The possibility of future write downs exists for fleets where a significant amount of value is recovered in the near term and uncertainty exists in relation to future re-leasing.

b. Tax

The Group's current tax expense and current tax asset/liability reflect management's best estimate and judgement regarding the amount of UK corporation tax payable for the current and previous periods.

3 Summary of material accounting policies (continued)

3.14 Use of judgements, estimates and assumptions (continued)

Management uses its judgement to evaluate uncertain tax provisions, which are assessed on advice from independent tax advisers and the status of ongoing discussions with the relevant tax authorities.

The assumptions in relation to the above are the only key areas that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

The consolidated financial statements include other areas of judgement and accounting estimates. While these areas do not meet the definition under IAS 1 of material accounting estimates or critical accounting judgements, the recognition and measurement of certain material assets and liabilities are based on assumptions and/or are subject to longer term uncertainties. The other areas of judgement and accounting estimates are useful economic lives of rolling stock and the recognition of maintenance income (note 4.1).

4 Revenue from contracts with customers

4.1 Revenue information

The Group generates revenue primarily from the rental of rolling stock assets under operating leases and where applicable, from the provision of maintenance services. Arising entirely in the UK, total income can be analysed as follows:

	Group	
	Year ended 31 December 2024 £'000	**Year ended 31 December 2023 £'000**
Operating lease rental income	**301,302**	298,788
Finance lease income	**250**	270
Revenue from contracts with customers		
- Maintenance income	**10,383**	23,393
- Other income	**6,053**	3,327
	317,988	325,778

Maintenance income

Maintenance income from contracts with customers arises wholly in the UK and is recognised as services are provided over time. Revenue (and the terms of payments by customers) is determined by reference to transaction prices within formal contracts between the Group and its customers which are adjusted periodically by reference to pricing indices.

Maintenance revenue is recognised when control of the service is transferred to the customer. This is measured by reference to consideration specified in the contract with a customer and maintenance expenditure incurred (i.e. applying an input method regarded by the Group, as being representative of work performed and therefore performance obligations being satisfied). Contract liabilities are expected to be recognised as revenue over the course of contracts (which are typically 10 years or less), as expenditure is incurred.

The transaction price allocated to (partially) unsatisfied performance obligations as at 31 December 2024 is set out below.

As maintenance expenditure is incurred, the Group expects that these performance obligations will be satisfied (i.e. income will be generated) in the following periods:

	Group	
	31 December 2024 £'000	**31 December 2023 £'000**
Within 1 year	**32,320**	34,026
1-5 years	**122,404**	119,428
	154,724	153,454

4 Revenue from contracts with customers (continued)

4.1 Revenue information (continued)

Other income

Other income includes:

1. the remeasurement of a finance lease receivable £4,193,000 (2023: £nil), attributable to the extension of the term of an existing lease arrangement (see note 14).

2. the provision in the UK of asset management services £1,860,000 (2023: £3,327,000).

The transaction price allocated to (partially) unsatisfied performance obligations as at 31 December 2024 is set out below.

Performance obligations are expected to be fulfilled (i.e. income will be generated) in relation to customers in the following periods:

	Group	
	31 December 2024 £’000	**31 December 2023 £’000**
Within 1 year	**1,748**	1,697
1-2 years	**728**	707
2-5 years	**-**	-
>5 years	**-**	-
	2,476	2,404

Revenue is recognised over time as services are provided (when the customers receive the benefit), as determined by reference to transaction prices agreed with customers. There are no contract balances or trade receivables held in relation to this.

4.2 Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers.

Contract assets, contract liabilities and trade receivables are as follows:

	Group		
	As at 31 December 2024 £’000	**As at 31 December 2023 £’000**	**As at 1 January 2023 £’000**
Contract assets	**5,563**	12,755	6,808
Contract liabilities	**39,389**	23,430	9,554
Trade receivables	**7,432**	9,223	7,793

The contract assets relate to the Group’s rights to consideration for services provided but not billed at the reporting date. The contract assets are reduced as the customer is billed for services in accordance with the contracted billing profile.

The contract liabilities relate to consideration received from customers for maintenance of rolling stock in advance of related services being provided.

The amount of £10,383,000 (2023: £9,554,000) recognised in contract liabilities at the beginning of the year has been recognised as revenue for the year ended 31 December 2024.

Current year movements on these amounts can be attributed to normal business activity (i.e. the recognition of revenue; maintenance services performed; amounts invoiced; and consideration for services received in advance of performing the maintenance activity). There are no adjustments to performance obligations satisfied in the prior year.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2024

5 Cost of sales

	Group Year ended 31 December 2024 £'000	Group Year ended 31 December 2023 £'000
Depreciation - rolling stock and other railway assets (note 12)	**(96,298)**	(99,509)
Write-down of rolling stock (note 12)	**(13,017)**	(16,430)
Depreciation - right-of-use asset - other railway assets (note 13)	**(601)**	(630)
Write-down - right-of-use of assets (note 13)	**(101)**	-
Maintenance and asset management costs	**(12,720)**	(18,128)
	(122,737)	(134,697)

6 Finance income

	Group Year ended 31 December 2024 £'000	Group Year ended 31 December 2023 £'000
Income from money market liquidity funds carried at fair value through profit or loss:		
Change in fair value	**117**	-
	117	-
Bank interest - income on financial assets carried at amortised cost	**21,914**	15,632
Total finance income	**22,031**	15,632

7 Finance expense

	Group Year ended 31 December 2024 £'000	Group Year ended 31 December 2023 £'000
Interest payable to Eversholt UK Rails Limited	**-**	(45,530)
Profit participating preference share dividend	**(369)**	(498)
Interest payable on bonds	**(82,870)**	(85,056)
Bonds - other finance costs	**(2,860)**	(3,205)
Fees payable on undrawn committed borrowing facilities	**(1,948)**	(1,596)
Amortisation of capitalised transaction costs	**(488)**	(488)
Finance expense in relation to financial liabilities carried at amortised cost	**(88,535)**	(136,373)
Transfer from hedging reserve (note 17)	**(4,242)**	(4,894)
Lease liability interest	**(149)**	(152)
Interest payable in relation to derivatives	**(9,399)**	(9,618)
Other finance costs	**(15,011)**	(11,145)
Total	**(117,336)**	(162,182)

Notes to the consolidated annual financial statements (continued)
for the year ended 31 December 2024

8 Administrative expense

In addition to payroll costs in note 9, administrative expense includes:	Group	
	Year ended 31 December 2024 £'000	**Year ended 31 December 2023 £'000**
Foreign exchange gain/(loss)	**4**	(5)
Depreciation – other assets	**(118)**	(79)
Defined contribution pension costs	**(893)**	(903)
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**(664)**	(557)
Fees payable to the Company's auditor for non-audit services	**-**	(20)

Audit fees shown above include £17,000 (2023: £62,000) payable to Company's auditor for the audit of the Company's annual financial statements.

9 Staff numbers and costs

The average monthly number of persons employed by the Group (including Directors of the Company and of its subsidiaries) during the year was as follows:

	Group	
	Year ended 31 December 2024 Number	**Year ended 31 December 2023 Number**
Directors	**5**	5
Operations	**41**	41
Administration	**58**	60
	104	106

The aggregate payroll costs of these persons were as follows:

	Group	
	Year ended 31 December 2024 £'000	**Year ended 31 December 2023 £'000**
Wages and salaries	**(14,087)**	(13,613)
Social security costs	**(1,962)**	(1,941)
Contributions to defined contribution pension scheme	**(893)**	(903)
Defined benefit pension scheme service cost	**(211)**	(237)
	(17,153)	(16,694)

10 Directors' emoluments

	Company	
	Year ended 31 December 2024 £'000	**Year ended 31 December 2023 £'000**
Directors' emoluments for services to the group	**2,846**	2,629

The emoluments of the highest paid Director, including benefits in kind were £1,169,000 (2023: £1,130,000).

The accrued pension contributions paid by the Group in respect of the highest paid Director for the year were £nil (2023: £nil).

None of the Directors has any share options or interests in the share capital of the Company. The Directors (other than LDC Securitisation Director No 3. Limited) are the only key management personnel.

11 Income tax charge

	Note	Group Year ended 31 December 2024 £'000	(Restated*) Year ended 31 December 2023 £'000
Current tax			
UK corporation tax			
- On current year result		**(19,386)**	(15,265)
- On prior year result		**6,175**	(683)
		(13,211)	(15,948)
Deferred tax			
Origination and reversal of temporary differences (Restated*)	***18***	**(2,941)**	(1,193)
Change in tax rate (Restated*)	***18***	**-**	648
Adjustment in respect of prior year	***18***	**736**	1,116
		(2,205)	571
Income tax charge (Restated*)		**(15,416)**	(15,377)

*Refer to note 2 for further details regarding the prior year restatement.

Corporation tax has been calculated by reference to the current tax rate of 25.0% (2023: 23.5%).

Deferred tax is calculated by reference to the tax rates that apply when the corresponding deferred tax asset is realised or deferred tax liability settled. The applicable rate that has been enacted or substantively enacted by 31 December 2024 is 25.0% (2023: 25.0%)

The following table reconciles the tax charge which would apply if all profits had been taxed at 25.0% (2023: 23.5%).

	Group Year ended 31 December 2024 £'000	(Restated*) Year ended 31 December 2023 £'000
Profit before tax	**87,517**	8,650
Taxation at corporation tax rate of 25.0% (2023: 23.5%)	**(21,879)**	(2,031)
Change in tax rate (Restated*)	**-**	648
Prior years adjustment	**6,911**	433
Non-taxable income (Restated*)	**-**	-
Permanent tax differences	**(620)**	(527)
Transfer pricing adjustments	**-**	(3,575)
Unrecognised tax attribute **	**172**	(10,325)
Income tax charge (Restated*)	**(15,416)**	(15,377)

*Refer to note 2 for further details regarding the prior year restatement.

**The unrecognised tax attribute of £172,000 in 2024 relates to the utilisation of tax losses that had not been recognised for deferred tax. In 2023 the unrecognised tax attribute of £10,325,000 principally relates to interest expense disallowed for tax purposes under the Corporate Interest Restriction (CIR) rules. The Group does not expect to have sufficient interest allowance in future years for the asset to unwind and as such a deferred tax asset has not been recognised.

11 Income tax charge (continued)

In addition to the amount charged to the Income statement, the aggregate amount of deferred tax relating to components of other comprehensive income, resulted in a loss of £2,989,000 recognised in total comprehensive income (2023: £887,000 loss).

Tax receivable in the Statement of financial position

The Group's tax receivable at 31 December 2024 is £16,454,000 (31 December 2023: £9,727,000).

Of this amount, £15,038,000 (2023: £9,727,000) relates to tax recoverable in relation to prior years, following the settlement of outstanding issues with tax authorities in 2021. During 2024, it was agreed that an amount of £15,038,000 will be recovered by the Group. This was in excess of the amounts anticipated at 31 December 2023. The additional recovery has been reflected in the prior year adjustment shown above. Settlement is expected to take place in early 2025.

12 Property, plant and equipment

Group	**Other assets £'000**	**Rolling stock and other railway assets £'000**	**Total £'000**
Cost			
Balance at 1 January 2023	346	3,091,537	3,091,883
Additions	316	16,138	16,454
Disposals	(247)	(106,684)	(106,931)
Balance at 31 December 2023	**415**	**3,000,991**	**3,001,406**
Additions	**42**	**5,488**	**5,530**
Disposals	**-**	**(22,483)**	**(22,483)**
Balance at 31 December 2024	**457**	**2,983,996**	**2,984,453**
Accumulated depreciation and write-downs			
Balance at 1 January 2023	337	1,120,133	1,120,470
Charge for the year	79	99,509	99,588
Write-down	-	16,430	16,430
Disposals	(247)	(106,684)	(106,931)
Balance at 31 December 2023	**169**	**1,129,388**	**1,129,557**
Charge for the year	**118**	**96,298**	**96,416**
Write-down	**-**	**13,017**	**13,017**
Disposals	**-**	**(22,483)**	**(22,483)**
Balance at 31 December 2024	**287**	**1,216,220**	**1,216,507**
Carrying value at 31 December 2024	**170**	**1,767,776**	**1,767,946**
Carrying value at 31 December 2023	246	1,871,603	1,871,849

Other assets relate to office equipment.

The depreciation charge on rolling stock is included within cost of sales in the Income statement. The depreciation on other assets is included in administrative expense. Following a review of recoverable values, the Group has written down the net book value of rolling stock by £13,017,000 (2023: £16,430,000). This reflects the extent to which the net book value of rolling stock exceeded expected recoverable value. The write-down is included as part of accumulated depreciation.

During the year, the Group has reviewed the useful economic lives of its rolling stock, leading to a reduction in the lives of some assets. This has resulted in an increase of £2,573,000 in the 2024's depreciation charge shown in the above table (2023: £nil).

2024 additions include no amount from other comprehensive income (being a realised loss on cashflow hedges) (2023: £174,000 debit).

All rolling stock assets are subject to operating lease arrangements or are available to lease under such arrangements.

13 Right-of-use assets

Group	Other railway assets and land £'000
As at 1 January 2023	7,247
Depreciation charge	(630)
As at 31 December 2023	**6,617**
Depreciation charge	**(601)**
Re-measurement*	**550**
Write-down**	**(101)**
Transfer***	**(449)**
As at 31 December 2024	**6,016**

*This relates to the re-measurement of a depot lease right-of-use asset, arising from the reassessment of the term of the corresponding head lease agreement. There is a corresponding adjustment to the lease liabilities (see note 16).

**Following a review of recoverable value, the Company has written down the net book value of the right-of-use asset by £101,000 (2023: £nil). This reflects the extent to which the net book value exceeded expected recoverable value. The write-down is included as part of accumulated depreciation.

***This relates to the lease of the depot lease right-of-use asset under a finance lease (see note 14).

Lease rentals are reviewed periodically in accordance with the terms of the agreement and revised accordingly.

14 Finance lease receivables

	Group	
	31 December 2024 £'000	**31 December 2023 £'000**
Gross investment in finance leases		
Amounts falling due:		
No later than one year	**1,507**	921
Later than one year and no later than five years	**3,401**	-
Total gross investment in finance leases	**4,908**	921
Unearned finance income	**(636)**	(21)
Net investment in finance leases less provisions	**4,272**	900
Amortisation of finance lease receivables:		
Amounts falling due:		
No later than one year	**1,190**	900
Later than one year and no later than five years	**3,082**	-
Present value of minimum lease receivables	**4,272**	900
Aggregate finance lease income receivable in the year	**250**	270

The Group has entered into a finance leasing arrangement for one of its depots. During the year this finance lease arrangement has been extended and will now expire in 2028. The gross investment in finance leases includes the £449,000 (2023: £nil) transferred from right-of-use assets (note 13), together with the remeasurement of a finance lease receivable £4,193,000 (2023: £nil) (note 4).

The fair value of fixed rate finance lease receivables is calculated by discounting future minimum lease receivables, using current interest rates applicable to the remaining term of the lease. The fair values are not considered to be significantly different from the carrying value.

Notes to the consolidated annual financial statements (continued)
for the year ended 31 December 2024

14 Finance lease receivables (continued)

Finance lease receivable balances are secured over the depot. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

15 Trade and other receivables

	Group	
	31 December 2024 £'000	**31 December 2023 £'000**
Trade receivables	**7,432**	9,223
Accrued income	**6,304**	3,730
	13,736	12,953

Trade receivables includes £1,239,000 (2023: £1,735,000) in relation to operating lease rentals and £92,000 (2023: £80,000) in relation to other receivables, for which a 12-month ECL allowance of £360,000 (2023: £246,000) is carried. During the year therefore, there has been an increase of £114,000 in the 12-month expected credit loss allowance (year ended 31 December 2023: £112,000 decrease). The allowance reflects a revised rental payment profile.

16 Lease liabilities

Group	**Other railway assets - land £'000**
As at 1 January 2023	7,749
Interest charge	152
Payments	(778)
As at 31 December 2023	**7,123**
Interest charge	**149**
Payments	**(768)**
Re-measurement*	**550**
As at 31 December 2024	**7,054**

*This relates to the re-measurement of the depot lease liabilities arising from the reassessment of the term of the head lease agreement. There is a corresponding adjustment to the right-of-use assets (see note 13).

Total lease liabilities can be analysed as follows:

	Group	
	31 December 2024 £'000	**31 December 2023 £'000**
Current	**613**	585
Non-current	**6,441**	6,538
	7,054	7,123

16 Lease liabilities (continued)

Maturity of lease liabilities

The maturity profile of the Group's undiscounted lease liabilities at 31 December 2024 was as follows:

	Group	
	31 December 2024 £'000	**31 December 2023 £'000**
Current	**738**	720
In more than one year but not more than two years	**769**	623
In more than two years but not more than five years	**2,183**	1,871
In more than five years	**4,209**	4,677
Non-current	**7,161**	7,171
	7,899	7,891

17 Derivative financial instruments

The fair value of derivative financial instruments shown in the Statement of financial position, includes related accrued interest.

Amounts included under each "Derivative financial instruments" heading are analysed below:

		Group	
	Note	**31 December 2024 £'000**	**31 December 2023 £'000**
Non-current assets			
Fair value – excluding accrued interest	***See below***	**152,427**	103,491
Accrued interest	***24***	**5,200**	5,729
		157,627	109,220
Non-current liabilities			
Fair value – excluding accrued interest	***See below***	**(222,725)**	(199,270)
Accrued interest	***24***	**(8,149)**	(8,653)
		(230,874)	(207,923)
Total derivative financial instruments (excluding accrued interest)	***See below***	**(70,298)**	(95,779)
Total accrued interest	***24***	**(2,949)**	(2,924)

Notes to the consolidated annual financial statements (continued)
for the year ended 31 December 2024

17 Derivative financial instruments (continued)

Excluding accrued interest, the fair values and maturity profile of the derivative financial instruments are as follows:

31 December 2024	Maturity	Notional amount £'000	Group Fair value amount £'000	Change in fair value used for calculating hedge ineffectiveness gain/(loss) £'000
Non-current assets				
Interest rate swap contracts - hedge accounted	December 2036	**(100,000)**	**4,209**	**5,455**
Interest rate swap contracts	April 2040	**(300,000)**	**81,730**	**-**
Interest rate swap contracts	July 2045	**(244,512)**	**51,953**	**-**
Interest rate swap contracts - hedge accounted	October 2049	**(237,500)**	**14,535**	**4,658**
		(882,012)	**152,427**	**10,113**
Non-current liabilities				
Interest rate swap contracts	June 2040	**300,000**	**(139,681)**	**-**
Interest rate swap contracts	July 2045	**244,512**	**(83,044)**	**-**
		544,512	**(222,725)**	**-**
Total derivative financial instruments		**(337,500)**	**(70,298)**	**10,113**

31 December 2023	Maturity	Notional amount £'000	Fair value amount £'000	Change in fair value used for calculating hedge ineffectiveness gain/(loss) £'000
Non-current assets				
Interest rate swap contracts	April 2040	(300,000)	61,565	-
Interest rate swap contracts	July 2045	(245,999)	32,049	-
Interest rate swap contracts - hedge accounted	October 2049	(237,500)	9,877	886
		(783,499)	103,491	886
Non-current liabilities				
Interest rate swap contracts - hedge accounted	December 2036	(100,000)	(1,246)	(1,246)
Interest rate swap contracts	June 2040	300,000	(128,564)	-
Interest rate swap contracts	July 2045	245,999	(69,460)	-
		445,999	(199,270)	(1,246)
Total derivative financial instruments		(337,500)	(95,779)	(360)

17 Derivative financial instruments (continued)

The fair value of derivative financial instruments at 31 December 2024 is based on market rates at 31 December 2024. The comparative fair values at 31 December 2023 are based on market rates at 31 December 2023.

The notional of derivative financial instruments not designated in hedge relationships offset each other in periods up to 2045. In the first half of 2023 new forward starting interest rate swaps were designated in hedge relationships. These instruments hedge variable rate funding costs from 2025 to 2036. The instruments designated in a hedge relationships maturing in 2049 are forward starting interest rate swaps that hedge highly probable forecast variable rate funding costs from 2040 to 2049.

The Group's swap contracts that are included in a hedge accounting relationship, are used to manage its overall hedging ratio.

The carrying value of the interest rate swaps set out in the above table at 31 December 2024, includes £4,302,000 (31 December 2023: £4,260,000) in relation to a day one loss arising on the restructure of certain derivatives. This "loss" is the difference on initial recognition between the transaction price and the fair value of the restructured derivatives. Representing an input into the valuation that was not market observable at the time of the restructure, this amount is being amortised to the Income Statement over the life of the related instruments. During the year £228,000 (2023: £190,000) was recognised in the Income statement under the heading "Net fair value gain on derivative financial instruments".

Movement in fair value of Derivative financial instruments

	Interest rate swap contracts		
	Not hedge accounted £'000	**Current hedge accounted £'000**	**Total £'000**
Balance as at 1 January 2023	(94,957)	8,991	(85,966)
Unrealised loss through the Income statement			
- Hedge ineffectiveness	-	(1,547)	(1,547)
- Change in fair value of non-hedge accounted derivatives	(9,453)	-	(9,453)
	(9,453)	(1,547)	(11,000)
Unrealised gain through other comprehensive income		1,187	1,187
Balance as at 31 December 2023	**(104,410)**	**8,631**	**(95,779)**
Unrealised gain through the Income statement			
- Hedge ineffectiveness	**-**	**1,319**	**1,319**
- Change in fair value of non-hedge accounted derivatives	**15,368**	**-**	**15,368**
	15,368	**1,319**	**16,687**
Unrealised gain through other comprehensive income	**-**	**8,794**	**8,794**
Balance as at 31 December 2024	**(89,042)**	**18,744**	**(70,298)**

Notes to the consolidated annual financial statements (continued)
for the year ended 31 December 2024

17 Derivative financial instruments (continued)

Amounts affecting the Statement of comprehensive income and financial position, are as follows:

Movement in Hedging reserve

Group	Foreign exchange forward contracts	Interest rate swap contracts		
	Current hedge accounted £'000	Current hedge accounted £'000	Terminated hedge accounted £'000	Total £'000
Balance as at 1 January 2023	(248)	(11,570)	67,980	56,162
Unrealised gain through Other comprehensive income	-	(1,187)	-	(1,187)
Revaluation of EUR cash deposits through Other comprehensive income	505	-	-	505
Effective portion of changes in fair value of cash flow hedges	-	(1,187)	-	(1,187)
Transfer to Property, plant and equipment	(174)	-	-	(174)
Transfer to Income statement	-	-	(4,894)	(4,894)
Income tax on Other comprehensive income	(83)	297	1,190	1,404
Balance as at 31 December 2023	**-**	**(12,460)**	**64,276**	**51,816**
Unrealised gain through Other comprehensive income	**-**	**(8,794)**	**-**	**(8,794)**
Effective portion of changes in fair value of cash flow hedges	**-**	**(8,794)**	**-**	**(8,794)**
Transfer to Income statement	**-**	**-**	**(4,525)**	**(4,525)**
Income tax on Other comprehensive income	**-**	**2,199**	**1,131**	**3,330**
Balance as at 31 December 2024	**-**	**(19,055)**	**60,882**	**41,827**

17.1 Foreign exchange forward contracts

The Company has no outstanding foreign exchange forward contracts.

When foreign exchange forward contracts were settled before the committed EUR denominated capital expenditure had been incurred, related EUR cash deposits continued to hedge related commitments. Being part of a hedge accounting relationship and equal in principal to the amount of commitments, any exchange differences arising on translating the EUR cash deposits to sterling, were wholly recognised in the hedging reserve. The hedging reserve therefore contained balances relating to foreign exchange differences arising on EUR cash deposits that hedged future committed rolling stock expenditure.

17.2 Interest rate swap contracts

The hedging reserve contains balances relating to settled derivative contracts, where the hedged future cashflows are still expected to occur.

Cumulative unrealised losses of £60,882,000 (2023: £64,276,000) relating to interest rate swaps where the hedge relationship was terminated in prior years remain in the hedging reserve and will be recognised in the Income statement in future years, when the originally hedged future cashflows occur. At 31 December 2024, the Company held interest rate swaps with a fair value liability of £89,042,000 (2023: £104,410,000) which were not designated in hedging relationships for accounting purposes.

As at 31 December 2024, the Group's hedge accounted swaps were deemed to be highly effective and the fair value asset associated to these interest rate swaps was £18,744,000 (2023: £8,631,000).

17 Derivative financial instruments (continued)

17.2 Interest rate swap contracts (continued)

Hedge ineffectiveness gain of £1,319,000 (2023: £1,547,000 loss) was calculated by reference to the following:

- Change in the fair value of the hedged item used as a basis of recognising hedge ineffectiveness loss of £8,794,000 (2023: £1,187,000 loss); and
- Change in the fair value of the interest rate swaps used as a basis of recognising hedge ineffectiveness gain of £10,113,000 (2023: £360,000 loss).

These changes are the aggregate of the changes in the fair value of the hedged items and interest rate swaps for hedging relationships described above.

Hedge ineffectiveness can be attributed to where actual funding profiles were different to those originally expected.

Certain bond agreements include contractual obligations to settle cross-currency derivative financial instruments, that the lender has entered into pursuant to the bonds, in the event that the Security Group either defaults on or repays the bonds before maturity. The embedded derivatives resulting from such arrangements have been valued at £ nil (2023: £nil) on the basis that the Group is not in default and is not forecast to be in default or to repay bonds early.

See note 32 for details of interest rate risk management.

18 Deferred tax

Deferred tax assets and liabilities are offset where the Group meets the relevant criteria (see note 3). The following is the analysis of the deferred tax balances:

	Group	
		(Restated*)
	31 December 2024 £'000	**31 December 2023 £'000**
Deferred tax liabilities (Restated*)	**25,689**	26,733
Deferred tax assets	**(20,510)**	(26,748)
	5,179	(15)

*Refer to note 2 for further details regarding the prior year restatement.

In assessing the recoverability of deferred tax assets, the Group considers the extent to which it is probable that there will be sufficient taxable profits in the future to allow the benefit of part or all of the deferred tax asset to be utilised. In assessing this, the Group considers internal profit projections and budgets and related tax impacts, as well as the amount and timing of the reversal of timing differences giving rise to deferred tax liabilities at the balance sheet date.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2024

18 Deferred tax (continued)

The following are the major deferred tax (assets)/liabilities recognised by the Group and movements thereon during the current and prior reporting year:

Group	(Restated*) Capital Allowances £'000's	Provision £'000's	Fair value of derivatives £'000's	Retirement benefit (obligation) /asset £'000's	Tax losses £'000's	Other tax attributes £'000's	(Restated*) Total £'000's
At 1 January 2023 (Restated*)	29,455	(583)	(23,507)	666	(6,142)	(220)	(331)
(Credit)/charge to the Income statement (Restated*)	(1,400)	-	(3,540)	18	6,059	56	1,193
Charge / (credit) to other comprehensive income	-	-	1,352	(485)	-	-	867
Effect of change in tax rates							
- Income statement (Restated*)	(423)	(16)	(246)	1	36	-	(648)
- Other comprehensive Income	-	-	52	(32)	-	-	20
Prior year adjustments	(1,067)	(52)	3	-	-	-	(1,116)
At 31 December 2023 (Restated*)	26,565	(651)	(25,886)	168	(47)	(164)	(15)
(Credit)/charge to the Income statement	**(329)**	**-**	**3,215**	**(5)**	**-**	**60**	**2,941**
Charge / (credit) to other comprehensive income	**-**	**-**	**3,330**	**(341)**	**-**	**-**	**2,989**
Effect of change in tax rates							
- Income statement	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Other comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Prior year adjustments	**(547)**	**(143)**	**(47)**	**1**	**-**	**-**	**(736)**
At 31 December 2024	**25,689**	**(794)**	**(19,388)**	**(177)**	**(47)**	**(104)**	**5,179**

*Refer to note 2 for further details regarding the prior year restatement.

Deferred tax is calculated by reference to the tax rates that apply when the corresponding deferred tax asset is realised or deferred tax liability settled. The applicable rate that has been enacted or substantively enacted by 31 December 2024 is 25.0% (2023: 25.0%).

The Group has an unrecognised deferred tax asset of £35,956,000 (2023: £36,464,000) in relation to interest expense disallowed for tax purposes under the CIR rules.

19 Investments in subsidiaries

The subsidiary undertakings of the Company at the end of the year were:

Name of Undertaking	Class of Capital	Country of Incorporation	Type of business	Ownership Percentage 2024	Ownership Percentage 2023
Eversholt Investment Limited	Ordinary Shares	Ireland**	Investment	100	100
European Rail Finance Holdings Limited*	Ordinary Shares	Ireland**	Investment	-	100
European Rail Finance Limited*	Ordinary Shares	Ireland**	Leasing	100	100
Eversholt Rail Leasing Limited*	Ordinary Shares	England***	Leasing	100	100
Eversholt Rail Limited*	Ordinary Shares	England***	Management services	100	100
Eversholt Depot Finance Limited*	Ordinary Shares	England***	Leasing	100	100
Eversholt Finance Holdings Limited*	Ordinary Shares	England***	Investment	-	100
Eversholt Funding Plc*	Ordinary Shares	England***	Financing	100	100
European Rail Finance (2) Limited*	Ordinary Shares	Ireland**	Investment	100	100

* Indirect subsidiaries
** Registered office: Riverside One, Sir John Rogerson's Quay, Dublin 2, D02 X576, Ireland
*** Registered office: First Floor, Chancery House, 53-64 Chancery Lane, London, WC2A 1QS, United Kingdom.

During the year, European Rail Finance Holdings Limited was dissolved without going into liquidation by way of 'merger by absorption' with Eversholt Investment Limited (under Irish law); and Eversholt Finance Holdings Limited was voluntarily liquidated (under English law).

20 Cash and cash deposits

Cash and cash deposits are analysed as:	Group	
	31 December 2024 £'000	**31 December 2023 £'000**
Cash	**29,657**	335,570
Cash deposits	**328,439**	-
Cash and cash equivalents	**358,096**	335,570
Short-term deposits with maturity greater than three months	**75,000**	-
Cash and cash deposits	**433,096**	335,570

Within cash and cash equivalents there is a deposit of £2,600,000 (2023: £2,600,000) which is restricted as it provides security for the Profit Participating Shares issued by a subsidiary. £500,000 of cash and cash equivalents (2023: £500,000) is restricted cash in line with the terms of an agreement with the security trustee for the Group's secured creditors.

Notes to the consolidated annual financial statements (continued)
for the year ended 31 December 2024

21 Other financial assets

	Group	
	31 December 2024 £'000	**31 December** 2023 £'000
Investments in money market liquidity funds	**3,501**	-
Change in fair value (note 6)	**117**	-
	3,618	-

22 Trade and other payables

	Group	
	31 December 2024 £'000	**31 December 2023 £'000**
Trade and other payables*	**4,054**	12,138
Lease rentals received in advance	**24,212**	12,910
Maintenance and administrative accruals	**14,160**	19,228
Other payables	**5,740**	5,560
Other accruals	**250**	250
	48,416	50,086

*See note 2

23 Borrowings

	Group	
	31 December 2024 £'000	**31 December 2023 £'000**
Current		
Interest accrued	**16,119**	17,091
Bonds	**322,061**	54,212
Transaction costs	**(476)**	(241)
	337,704	71,062
Non-current		
Bonds	**1,455,232**	1,777,692
Transaction costs	**(4,163)**	(4,886)
Profit Participating Shares	**2,500**	2,500
	1,453,569	1,775,306
Total borrowings	**1,791,273**	1,846,368

The Group finances itself using a Common Documents platform. This means that all covenants on the performance and management of the Group apply to all Senior lenders. Failure to comply with these may result in Bank loans and Bonds being repayable on demand. The Group was in compliance with the covenants during 2024 and 2023.

All Senior lenders are secured against substantially all of the Group's assets by way of fixed and floating charges. The security is held by The Law Debenture Trust Corporation plc (in its capacity as Security Trustee). The Group is not permitted to create additional security over its assets apart from in limited circumstances that have been agreed with its financiers.

Fees incurred on raising the finance set out in the above table have been capitalised and are being amortised using the effective interest method over the term of the borrowings.

Notes to the consolidated annual financial statements (continued)
for the year ended 31 December 2024

23 Borrowings (continued)

Bond principal amount	Interest rate Semi-annual coupon	Due date
£268m*	6.359%	2025
£300m**	6.698%	2025-2035
£100m	SONIA+margin	2029-2036
£90m	Fixed rate	2030
£50m	Fixed rate	2029-2036
£100m	Fixed rate	2026-2031
£100m	Fixed rate	2037
£400m	3.529%	2034-2042
£397m***	2.742%	2024-2040

None of the Bonds are puttable.
*£3,500,000 (2023: £nil) of the bond was repaid in 2024.
**£28,571,000 (2023: £28,571,000) of the bond was repaid in 2024.
***£25,641,000 (2023: £25,641,000) of the bond was repaid in 2024.

The Profit Participating Shares ("PPS") carry a right to quarterly dividends. The PPS dividend has two parts. The first part confers a right to a SONIA based return. The second part confers a right to 0.1% of post-tax profits arising in the issuing company during the reference period. The PPS are classified as a non-current liability as the holders of these shares have a fixed entitlement to a dividend.

Maturity of borrowings

The maturity profile of the carrying amount of the Group's non-current borrowings at 31 December was as follows:

	Group	
	31 December 2024 £'000	**31 December 2023 £'000**
In more than one year but not more than two years	**87,212**	325,561
In more than two years but not more than five years	**226,387**	240,637
In more than five years	**1,144,133**	1,213,994
Transaction costs	**(4,163)**	(4,886)
	1,453,569	1,775,306

Notes to the consolidated annual financial statements (continued)
for the year ended 31 December 2024

24 Reconciliation of assets and liabilities arising from financing activities

31 December 2024	Group				
	As at 31 December 2023 £'000	Cash flow payments £'000	Non-cash finance expense £'000	Non-cash other movements reduction £'000	As at 31 December 2024 £'000
Financing activities attributable to:					
Liabilities					
Bond interest accrued	**16,840**	**(83,697)**	**82,870**	**-**	**16,013**
Swap interest accrued	**2,924**	**(9,374)**	**9,399**	**-**	**2,949**
Profit Participating Share dividends	**251**	**(514)**	**369**	**-**	**106**
Bonds	**1,831,904**	**(57,712)**	**3,101**	**-**	**1,777,293**
Profit Participating Shares	**2,500**	**-**	**-**	**-**	**2,500**
	1,854,419	**(151,297)**	**95,739**	**-**	**1,798,861**
Assets					
Capitalised transaction costs	**(5,127)**	**-**	**488**	**-**	**(4,639)**

31 December 2023	Group				
	As at 31 December 2022 £'000	Cash flow payments £'000	Non-cash finance expense £'000	Non-cash other movements reduction £'000	As at 31 December 2023 £'000
Financing activities attributable to:					
Liabilities					
Bond interest accrued	17,432	(85,648)	85,056	-	16,840
Swap interest accrued	2,314	(9,008)	9,618	-	2,924
Profit Participating Share dividends	73	(320)	498	-	251
Bonds	1,882,911	(54,212)	3,205	-	1,831,904
Profit Participating Shares	2,500			-	2,500
Loan from Eversholt UK Rails Limited*	340,562	(45,530)	45,530	(340,562)	-
	2,245,792	(194,718)	143,907	(340,562)	1,854,419
Assets					
Capitalised transaction costs	**(5,615)**	-	488	-	**(5,127)**

*The non-cash movement of £340,562,000 is the settlement of loan through the issue of share capital (see note 27).

25 Other liabilities

Other liabilities primarily represent amounts charged to customers under current contracts in relation to their share of future rolling stock maintenance costs after the expiry of the current lease. These amounts will be paid out over the course of future leases to, as yet unidentified, future lessees who will undertake the future rolling stock maintenance. Such amounts will never be recognised as revenue in the Group's Income statement and can be analysed as follows:

	Group	
	31 December 2024 £'000	31 December 2023 £'000
Current	**14,874**	17,277
Non-current	**278,725**	236,495
	293,599	253,772

26 Provisions

The provision was held for dilapidation work in relation to the office space at the Company's previous registered office and this obligation was settled during 2024.

	Group	
	31 December 2024 £'000	**31 December 2023 £'000**
Current - dilapidation	**-**	25
Non-current - other*	**6,215**	4,976

*See note 2

27 Share capital

	Company	
	31 December 2024 £	**31 December 2023 £**
Authorised		
103 Ordinary shares of £1 each	**103**	103
Allotted, called up and fully paid		
103 Ordinary shares of £1 each	**103**	103

The holders of ordinary shares are entitled to attend and vote at annual general meetings and receive dividends as and when declared.

During 2023, the Company undertook the following transactions as part of the wider group reorganisation:

1. The Company issued one ordinary share with a nominal value of £1 at a premium of £340,562,000 in full satisfaction of its outstanding liability to Eversholt UK Rails Limited of £340,562,000 (note 24).

2. In accordance with Section 641 Companies Act 2006, the Company then converted its share premium into retained earnings.

These transactions can be seen in the Company's Statement of changes in equity.

28 Capital commitments

In respect of rolling stock capital expenditure:

	Group	
	31 December 2024 £'000	**31 December 2023 £'000**
Authorised and contracted	**29,098**	21,530

The above represents all capital commitments.

29 Dividends

For the year ended 31 December 2024, dividends of £60,000,000 were paid (2023: £33,700,000).

Notes to the consolidated annual financial statements (continued)
for the year ended 31 December 2024

30 Financial instruments

The fair values together with the carrying amounts of the financial assets and financial liabilities are as follows:

Group 31 December 2024	Note	Carrying amount £'000	Fair value Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets					
Fair value through profit or loss					
- Other financial assets	***21***	**3,618**	**3,618**		
- Derivative financial instruments	***17***	**157,627**		**157,627**	
Amortised cost					
- Finance lease receivables	***14***	**4,272**		**4,272**	
- Trade and other receivables	***15***	**13,736**		**13,736**	
- Cash and cash deposits	***20***	**358,096**		**358,096**	
- Short term deposits	***20***	**75,000**		**75,000**	
Total financial assets		**612,349**			
Financial liabilities					
Fair value through profit or loss					
- Derivative financial instruments	***17***	**230,874**		**230,874**	
Amortised cost					
- Publicly traded bonds	***23***	**1,337,293**	**1,214,304**		
- Fixed rate borrowings	***23***	**340,000**		**298,119**	
- Other borrowings	***23***	**118,619**		**118,619**	
- Trade and other payables	***22***	**48,416**		**48,416**	
Total financial liabilities		**2,075,202**			
Total financial instruments		**(1,462,853)**			

Group 31 December 2023	Note	Carrying amount £'000	Fair value Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets					
Fair value through profit or loss					
- Derivative financial instruments	***17***	109,220	-	109,220	-
Amortised cost					
- Finance lease receivables	***14***	900		900	
- Trade and other receivables	***15***	12,953		12,953	
- Cash and cash equivalents	***20***	335,570		335,570	
Total financial assets		458,643			
Financial liabilities					
Fair value through profit or loss					
- Derivative financial instruments	***17***	207,923	-	207,923	-
Amortised cost					
- Publicly traded bonds	***23***	1,391,904	1,303,665	-	-
- Fixed rate borrowings	***23***	340,000	-	303,700	-
- Other borrowings	***23***	119,591		119,591	
- Trade and other payables	***22***	55,062		55,062	
Total financial liabilities		2,114,480			
Total financial instruments		(1,655,837)			

30 Financial instruments (continued)

Carrying value is regarded as a reasonable approximation of fair value when this is not provided in the above table. Only the derivative financial instruments and other financial instruments (level 1 valuation) are measured subsequent to initial recognition at fair value. All derivative financial instruments are grouped into level two, based on the degree to which the fair value is observable. Level two fair value measurements are those derived from inputs other than quoted prices that are observable from active markets either directly or indirectly.

The financial liabilities measured at amortised cost in the above table can be reconciled to note 23 as follows:

	Group	
	31 December 2024 £'000	**31 December 2023 £'000**
Total financial liabilities as per above	**2,075,202**	2,114,480
Derivative financial instruments	**(230,874)**	(207,923)
Capitalised transaction costs	**(4,639)**	(5,127)
Trade and other payables	**(48,416)**	(55,062)
Borrowings per note 23	**1,791,273**	1,846,368

31 Retirement benefit scheme

31.1 General description of scheme

Final salary pension

Eversholt Rail Limited, a group undertaking, provides a defined benefit pension scheme to some employees. Eversholt Rail Limited Section (the "Section") is part of the Railways Pension Scheme, but its assets and liabilities are identified separately from the remainder of the Scheme. The Section is governed by a trustee board, which is independent of Eversholt Rail Limited.

The Section is a shared cost arrangement whereby Eversholt Rail Limited is only responsible for a share of the cost. The figures reported below therefore represent only Eversholt Rail Limited's share of the cost, except that the tables reconciling the Section liabilities and assets from the start to the end of the year are presented before the deduction of the members' share of the defined benefit cost, or the surplus or deficit. This is for simplicity of presentation and for consistency with the liabilities and assets quoted in the table showing the pension scheme liability or asset at the end of the year.

Employer contributions were 16.30% of Section pay for the year ended 31 December 2024 (19.70% for the year ended 31 December 2023).

The Section is open to new members transferring in from other sections of the Railways Pension Scheme.

Eversholt Rail Limited is exposed to a number of risks relating to the Section including assumptions not being borne out in practice. The most significant risks are as follows:

- Asset volatility: There is the risk that a fall in asset values is not matched by a corresponding reduction in the value placed on the Section's defined benefit obligation ("DBO"). The Section holds a proportion of growth assets, which are expected to outperform corporate and government bond yields in the long-term but gives exposure to volatility and risk in the short-term.
- Change in bond yields: A decrease in corporate bond yields will increase the value placed on the Section's DBO, although this will be partially offset by an increase in the value of the Section's corporate bond holdings.
- Inflation risk: The majority of the Section's DBO is linked to inflation where higher inflation will lead to a higher value being placed on the DBO. Some of the Section's assets are either unaffected by inflation or loosely correlated with inflation (e.g. growth assets), meaning that an increase in inflation will generally increase the deficit.

31 Retirement benefit scheme (continued)

31.1 General description of scheme (continued)

Final salary pension (continued)

- Life expectancy: An increase in life expectancy will lead to an increased value being placed on the Section DBO. Future mortality rates cannot be predicted with certainty.
- Contribution rate: The Scheme Rules give the Scheme Actuary the power to set the contribution rates for Eversholt Rail Limited if no agreement can be reached between the Trustee and that company.

31.2 Membership data

	Group	
	31 December 2024	**31 December 2023**
Active members		
Number	**11**	11
Number with Protected Rights Pension (“PRP”) included	**7**	7
Annual payroll (£'000)	**1,000**	900
PRP include (£'000)	**-**	-
Average age	**53.8**	52.8
Deferred members		
Number	**36**	41
Total deferred pensions (£'000)	**252**	300
Average age	**58.0**	57.0
Pensioner members (including dependants)		
Number	**64**	59
Estimated annual pension payroll (£'000)	**2,000**	1,600
Average age	**71.0**	70.1

31.3 Summary of assumptions

	Group	
Section Assets	**Value at 31 December 2024 £’000**	**Value at 31 December 2023 £’000**
Growth assets	**11,197**	12,431
Government bonds	**12,425**	19,269
Non-government bonds	**8,201**	8,314
Other assets	**3,048**	239
	34,871	40,253

	Group	
	31 December 2024 %pa	**31 December 2023 %pa**
Discount rate	**5.45**	4.50
Price inflation (RPI measure)	**3.30**	3.15
Increases to deferred pensions (CPI measure)	**2.95**	2.75
Pension increases (CPI measure)	**3.30**	3.15
Salary increases plus 0.4% pa promotional salary scale	**2.95**	2.75

Notes to the consolidated annual financial statements (continued)
for the year ended 31 December 2024

31 Retirement benefit scheme (continued)

31.3 Summary of assumptions (continued)

The assumed average expectation of life in years at age 65 is as follows:

	Group	
	31 December 2024	**31 December 2023**
Male currently age 65	**22.0**	22.1
Male currently age 45	**23.5**	23.7
Female currently age 65	**23.3**	23.3
Female currently age 45	**25.1**	25.1

31.4 Defined benefit liability / (asset) at end of year

	Group	
	Year ended 31 December 2024 £'000	**Year ended 31 December 2023 £'000**
Active members	**7,241**	7,264
Deferred members	**7,202**	7,586
Pensioner members (incl. dependants)	**21,612**	24,276
Total DBO	**36,055**	39,126
Value of assets at end of year	**(34,871)**	(40,253)
Funded status at end of year	**1,184**	(1,127)
Adjustment for the members' share of deficit	**(474)**	451
Net defined benefit liability / (asset) at end of the year	**710**	(676)

The Company has recognised a pension liability of £710,000 (2023: asset of £676,000). The asset was recognised in accordance with IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". This was on the basis that the Company had an unconditional right to any surplus on a winding up of the Section, when the Section no longer has any active, deferred or pensioner members and at which point there would be no benefits to be increased using any surplus existing at that time.

31.5 Reconciliation of net defined benefit liability / (asset)

	Group	
	Year ended 31 December 2024 £'000	**Year ended 31 December 2023 £'000**
Opening net defined benefit asset	**(676)**	(2,679)
Employer's share of pension expense	**178**	107
Employer contributions	**(157)**	(171)
Total loss recognised in Statement of comprehensive income	**1,365**	2,067
Closing net defined benefit liability / (asset)	**710**	(676)

Notes to the consolidated annual financial statements (continued)
for the year ended 31 December 2024

31 Retirement benefit scheme (continued)

31.6 Pension expense

	Group	
	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Employer's share of service cost	**181**	194
Employer's share of administration costs	**30**	43
Total employer's share of service cost	**211**	237
Employer's share of net interest on net defined benefit asset	**(33)**	(130)
Employer's share of pension expense	**178**	107

31.7 Other comprehensive income

	Group	
	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Gain due to liability experience	**(82)**	(158)
Gain due to liability assumption changes	**(1,931)**	(131)
Return on plan assets less than discount rate	**3,378**	2,356
Total loss recognised in Statement of comprehensive income	**1,365**	2,067

31.8 Reconciliation of DBO

	Group	
	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Opening DBO	**39,126**	39,276
Service Cost	**300**	322
Interest Cost on DBO	**1,722**	1,823
Gain on DBO experience	**(154)**	(291)
Gain on DBO - demographic assumptions	**(79)**	(452)
(Gain) / loss on DBO – financial assumptions	**(3,140)**	234
Actual benefit payments	**(1,720)**	(1,786)
Closing DBO	**36,055**	39,126

This obligation is projected to mature on an undiscounted basis as follows:

Time period	**Group Expected payments £'000**
5 years to 31 December 2028	**10,700**
5 years to 31 December 2033	**12,200**
5 years to 31 December 2038	**12,400**
5 years to 31 December 2043	**11,500**
After 1 January 2044	**29,800**

31 Retirement benefit scheme (continued)

31.9 Reconciliation of value of assets

	Group	
	Year ended 31 December 2024 £'000	**Year ended 31 December 2023 £'000**
Opening value of Section assets	**40,253**	43,741
Interest income on assets	**1,777**	2,040
Return on plan assets (less)/greater than discount rate	**(5,631)**	(3,926)
Employer contributions	**157**	171
Employee contributions	**86**	85
Actual benefit payments	**(1,720)**	(1,786)
Administration costs	**(51)**	(72)
Closing value of Section assets	**34,871**	40,253

Tables 31.8 and 31.9 above show the movement in the assets and liabilities of the section as a whole. Some of the figures therefore differ from those in the remaining disclosures which reflect the Group's share of the assets and liabilities associated with the section.

31.10 DBO sensitivity analysis to significant actuarial assumptions

	Group	
Year ended 31 December 2024	**Sensitivity**	**Approximate increase in DBO £'000**
Discount rate	**-0.25% p.a.**	**1,100**
Price inflation (CPI measure) *	**+0.25% p.a.**	**1,100**
Salary increases	**+0.25% p.a.**	**100**
Life expectancy	**+1 year**	**1,100**

	Group	
Year ended 31 December 2023	**Sensitivity**	**Approximate increase in DBO £'000**
Discount rate	-0.25% p.a.	1,300
Price inflation (CPI measure) *	+0.25% p.a.	1,200
Salary increases	+0.25% p.a.	100
Life expectancy	+1 year	1,200

* Including consistent increases to RPI, salary growth and RPI/CPI related pension increase assumptions.

The sensitivity figures above are as at 31 December 2024 and based on the DBO noted in table 31.4 and reflect a reasonable approximation of possible changes.

The Section is subject to a full funding actuarial valuation on a triennial basis. The funding valuation at 31 December 2022 indicated a funding surplus and so no deficit contributions are currently being paid. Employer contributions for the period to 30 June 2024, were 19.7% of Section pay. Employees contributions for the three years ending 30 June 2027 are 16.3%.

The discounted mean term of the Section's liabilities is 12 years. Employer contributions for 2024 were £157,000 (2023: £171,000).

31 Retirement benefit scheme (continued)

31.11 Other

The Group is aware of the ‘Virgin Media vs. NTL Pension Trustees Ltd and others’ case and continues to monitor developments in this area of the law with the help of its advisors. Following the Court of Appeal’s decision to uphold the ruling of the High Court against Virgin Media, the Group has considered the extent to which its defined benefit scheme is exposed to the outcomes of this case. At this stage, it has concluded that any resulting changes in pension obligations, if any, are not anticipated to be material to the Group. The Group is therefore satisfied that it remains appropriate to make no adjustment to the financial statements on this basis but will keep the matter under review.

32 Risk management

The Group has exposure to the following types of risk arising from its use of financial instruments: capital risk, liquidity risk and market risk. Market risk includes interest rate risk and foreign exchange risk, as well as inflation risk. In addition, the Group is exposed to residual value risk from its ownership of rail assets and credit risk from leasing arrangements.

Sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 3.14.

The management of all risks which are significant, together with the quantitative disclosures not already included within the Strategic report, is described in this note.

32.1 Residual value risk

One of the key drivers of the Group’s ability to generate the desired return from its assets is the management of residual value risk. This risk arises from operating lease transactions to the extent that the values recovered from re-letting assets at the end of the current lease terms (the “residual values”) differ from those projected at the inception of the leases. The Group regularly monitors residual value risk exposure by considering the re-leasing potential of its assets. This includes the consideration of potential impacts attributable to climate change. Provision is made to the extent that the carrying values of leased assets exceed the recoverable value.

The Group seeks to maximise the reletting potential, and therefore the residual value, of its assets by active management of the technical and commercial utility of these assets.

An assessment is carried out by management at least annually of the commercial value of all operating lease assets, measured as the present value of the net anticipated cash flows arising from ownership over life. This assessment is based on the Group’s knowledge of the assets and the rolling stock leasing market.

This assessment provides a basis for measuring the success of the Group in managing its assets, as well as for determining if that value is below the current book value and therefore an impairment provision might be needed.

The Group’s asset engineering team regularly visits the operating depots for the purpose of vehicle inspection and technical investigation. The Group has an excellent knowledge of the current condition of the fleet.

The Group has a specialist in-house inspection team who consider whole-life vehicle management; all vehicles are subject to a periodic inspection regime that delivers targeted inspections based on risk analysis.

The Group works proactively with train operators to identify opportunities to improve the performance of the fleet and in turn, ensure that the fleets’ condition is optimised when it is next available for leasing to a subsequent operator. The Group maintains constant dialogue with train operators on fleet performance so that any emerging issues can be dealt with quickly.

32.2 Capital risk management

The Board actively monitors the capital structure of the Group to ensure that it is able to continue as a going concern and can generate attractive and predictable returns for shareholders and benefits for other stakeholders. Consideration is given to the availability, cost and risks associated with each class of capital.

The capital structure of the Group consists of debt, share capital and reserves. The Group is not subject to any externally imposed capital requirements.

32 Risk management (continued)

32.3 Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its obligations under a contract. The Group's principal credit exposures arise from the obligations of lessees to make lease rental payments and meet other lease obligations; from the obligations of suppliers under contracts for services and supplies; and from the ability of bank counterparties to return cash and cash deposits placed with them, to fulfil commitments and to meet obligations under lending and derivative financial instruments.

The Group manages credit risk by way of established risk management processes encompassing credit approvals and the monitoring and reporting of exposures. Regular reviews are undertaken to assess and evaluate the financial stability of counterparties.

As part of the Group's processes for credit risk management and assessment of ECL, as well as assessment as to whether there has been a significant increase in credit risk since the exposure first arose or whether a financial asset is credit impaired, management takes into account the following:

- Historical credit experience of the counterparty;
- Third party credit reports and analysis;
- Past, current and future events and circumstances that could impinge upon the counterparty's performance and ability to perform and service its obligations as they fall due and meet its commitments as they arise. This will include assessment of actual and potential external events, as well as the Group's internal information;
- The nature of the arrangements with the counterparty and whether there is related collateral/security which can be applied;
- The existence of any parties to which the Group might have recourse in the event of a counterparty default, for example, where a counterparty's activities and related obligations (wholly or partly) might be assumed by a successor; and
- The duration of the exposure under review.

Credit assessments might lead to the counterparty being considered in default or amounts due being written off to the extent not recoverable, taking into account collateral / security / recourse arrangements.

Allowances for ECL are calculated on a lifetime basis, where required for trade receivables, contract assets and lease receivables under IFRS 9. In relation to other financial assets, the Group has only limited instances of assets where 12-month ECL allowances might be required. Therefore, the need to consider when there is a significant credit deterioration is only needed in rare situations (for example, debts overdue by more 30 days) and on a case by case basis. Counterparties will be regarded as having low credit risk where an investment grade rating is available.

Credit Risk Exposure

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The Group has established a credit procedure under which each new customer is analysed individually for creditworthiness, including for example, external ratings, if they are available, financial statements, credit agency information and industry information. The Group limits its exposure to credit risk through contractual documentation. In monitoring customer credit risk, customers are considered on an individual basis (or grouped according to their credit characteristics, including their geographic location, industry, trading history with the Group and existence of previous financial difficulties).

The Group's principal exposure to credit risk as at 31 December 2024 amounts to the balance of Trade and other receivables as disclosed in note 15, Contract assets as disclosed in note 4.2, Finance lease receivables as disclosed in note 14, Derivative financial instruments assets disclosed in note 17, Other financial assets disclosed in note 21, Cash and cash equivalents, together with cash deposits as disclosed in note 20. The carrying amounts of financial assets, lease receivables and contract assets represent the maximum credit exposure.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2024

32 Risk management (continued)

32.3 Credit risk management (continued)

All such assets are performing in accordance with the terms of the arrangements i.e. all payments to date as well as those expected in the future, have been made or are expected to be made in accordance with the underlying contractual terms. No part of the financial asset is credit impaired or overdue or in default. For these purposes, the Group defines “default” as where the obligor has failed to meet its obligations under the contract and “credit impaired” where there is objective evidence as to a credit event for the obligor. The definition has been applied historically by the Group and is regarded as appropriate, having regard to the nature of the Group’s exposure and past experience.

In particular, substantially all of the trade receivables outstanding at 31 December 2024 have been received subsequent to year end, other than where payment has been deferred, as described in note 15.

The Group will write off a financial asset where there is no realistic prospect of the financial asset being recovered. In light of the above and having regards to the requirement of IFRS 9, the Group considers that an ECL of £360,000 is required at 31 December 2024 (2023: £246,000).

32.4 Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors its cash flow requirements on a daily basis and compares expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. Cash is managed on a consolidated basis across the Group which enables group undertakings to borrow funds from other group undertakings to meet any shortfall. Liquidity is further under-pinned by the ability of group undertakings to borrow under a £450,000,000 revolving credit facility. £405,000,000 of the facility was extended by one year in 2024, the facility is for a period ending in November 2029. The residual £45,000,000 of the existing facility matures in November 2028.

Undiscounted cash flows in respect of financial assets and financial liabilities are analysed below by their contractual due date:

Group	**Carrying Value £’000**	**Contractual Cash flows £’000**	**On Demand £’000**	**Due within 1 year £’000**	**Due between 1-5 years £’000**	**Due after 5 years £’000**
31 December 2024						
Financial assets						
Fair value through profit or loss						
- Other financial assets	3,618	3,618	3,618	-	-	-
- Derivative financial instruments	157,627	265,398	-	40,514	45,815	179,069
Amortised cost						
- Finance lease receivables	4,272	4,908	-	1,507	3,401	-
- Trade and other receivables	13,736	13,736	-	13,736	-	-
- Cash and cash equivalents	358,096	358,096	29,657	328,439	-	-
- Short term deposits	75,000	75,000	-	75,000	-	-
	612,349	720,756	33,275	459,196	49,216	179,069
Financial liabilities						
Fair value through profit or loss						
- Derivative financial instruments	230,874	402,576	-	71,515	80,687	250,374
Amortised cost						
- Trade and other payables	48,416	48,416	-	48,416	-	-
- Borrowings	1,795,912	2,887,902	-	401,611	534,867	1,951,424
	2,075,202	3,338,894	-	521,542	615,554	2,201,798
Total financial instruments	(1,462,853)	(2,618,138)	33,275	(62,346)	(566,338)	(2,022,729)

Notes to the consolidated annual financial statements (continued)
for the year ended 31 December 2024

32 Risk management (continued)

32.4 Liquidity risk management (continued)

Group	Carrying Value £'000	Contractual Cash flows £'000	On Demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
31 December 2023						
Financial assets						
Fair value through profit or loss						
- Derivative financial instruments	109,220	166,198	-	24,385	25,428	116,385
Amortised cost						
- Finance lease receivables	900	921	-	921	-	-
- Trade and other receivables	12,953	12,953	-	12,953	-	-
- Cash and cash equivalents	335,570	335,570	4,218	331,352	-	-
	458,643	515,642	4,218	369,611	25,428	116,385
Financial liabilities						
Fair value through profit or loss						
- Derivative financial instruments	207,923	321,668	-	46,513	64,025	211,130
Amortised cost						
- Trade and other payables	55,062	55,062	-	55,062	-	-
- Borrowings	1,851,495	2,859,208	-	136,889	814,636	1,907,683
	2,114,480	3,235,938	-	238,464	878,661	2,118,813
Total financial instruments	(1,655,837)	(2,720,296)	4,218	131,147	(853,233)	(2,002,428)

The borrowings in the above table that are measured at amortised cost can be reconciled to note 23 as follows:

	Group 31 December 2024 £'000	Group 31 December 2023 £'000
Borrowings as per above	**1,795,912**	1,851,495
Less: transaction costs	**(4,639)**	(5,127)
Borrowings per note 23	**1,791,273**	1,846,368

	Group 2024 £'000	Group 2023 £'000
Fixed rate instruments		
Financial assets	**407,711**	900
Financial liability	**(1,677,294)**	(1,731,904)
	(1,269,583)	(1,731,004)
Variable rate instruments		
Financial liability	**(102,500)**	(102,500)

32.5 Market risk management

32.5.1 Foreign exchange risk

The Group hedges against foreign exchange risk on its EUR denominated capital expenditure as described in note 17. There is no exposure at 31 December 2024 or 2023.

32 Risk management (continued)

32.5.2 Interest rate risk management

The Group's cash flow interest rate risk arises from its borrowings and cash deposits. Borrowings at variable rates expose the Group to cashflow interest rate risk.

The Group manages its exposure to interest rate risk on its borrowings by entering into interest rate swaps to achieve an appropriate mix of fixed and floating interest rate debt in accordance with the Group's hedging policy.

As at 31 December 2024, after adjusting for the effect of derivative financial instruments detailed in note 17, approximately 94 per cent (2023: 95 per cent) of £1,777,293,000 (2023: £1,831,904,000) debt was at fixed rates of interest.

32.5.3 Interest rate sensitivity analysis

A 50 basis points increase in SONIA would have resulted in an increase in interest expense of £500,000 (2023: £500,000 increase based on SONIA), an increase interest received on cash amounts of £1,839,000 (2023: £1,592,000 based on SONIA), and an increase in dividend payable on profit participating preference shares of £12,500 (2023: £12,500 based on SONIA) for the financial year. The interest rate sensitivity analysis has been prepared using the present value of cash flows using different interest rates. The sensitivity analysis is applied to the borrowing/deposit rate and performed on the monthly balance of the relevant financial instrument and represents a reasonable approximation of possible change.

A 50 basis points upwards parallel shift in the yield curve for SONIA would have led to a fair value gain of £8,141,000 (2023: £9,593,000 gain based on SONIA) in derivative financial instruments.

32.5.4 Approach to hedging

Consistent with prior years, the Group uses interest rate swaps and foreign exchange contracts to manage its interest rate and foreign currency risk.

The Group uses foreign exchange forward contracts to hedge the variability in sterling cash flows associated with committed EUR denominated capital expenditure. Where contracts settle before expenditure is incurred, foreign exchange deposits continue to hedge this variability.

The Group borrows funds that carry a floating rate of interest. In addition, the Group seeks to fix the interest rate payable on future borrowings required to fund committed future and actual capital expenditure and hence hedging variability in cashflows inherent in highly probable forecast funding costs. Interest rate swaps are used/will be used to manage interest rates exposure by swapping variable for fixed payments of interest on a notional amount of funding consistent with the principal, maturities and reference interest rates included in the related funding.

Where required, interest rate swaps and forward foreign exchange contracts are designated as part of hedging relationships upon their inception. The Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in cash flows arising from the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as resulting from the principal of the hedge item, actually hedged, and the principal of the hedging instrument.

Once established, hedging arrangements will generally continue until all capital expenditure has been incurred or hedged future funding has been raised. As such, there is little, if any, need to reset hedging relationships. In general, it is expected that any hedge ineffectiveness will be minimal given the basis upon which hedging is established and the extent to which critical terms match.

33 Operating lease arrangements

The Group as lessor:

The Group has contracts with lessees in relation to rolling stock and depots. At the reporting date, the outstanding commitments for future undiscounted lease payments to be received under operating leases are as follows:

	Group	
	31 December 2024 £'000	**31 December 2023 £'000**
Within one year	**272,283**	303,219
1-2 years	**217,756**	247,739
2-3 years	**192,910**	206,692
3-4 years	**72,431**	186,841
4-5 years	**40,027**	72,075
Over 5 years	**204,720**	267,204
	1,000,127	1,283,770
Aggregate operating lease rentals receivable in the year	**301,302**	298,788

The Group as lessee:

The Group subleased certain right-of-use assets in relation to land and has recognised income of £145,000 during the year (2023: £145,000), which is included in the rentals receivable shown above.

34 Related-party transactions

34.1 Identity of related parties

The Directors of the Company consider the ultimate parent and controlling party to be Eversholt UK Rails Group Limited, incorporated in the UK.

Accordingly, the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and which the Company is a member of, is Eversholt UK Rails Group Limited.

In the Company's financial statements for the year ended 31 December 2023, the parent undertaking of the largest group of undertakings in this respect was reported to be Eversholt UK Rails Limited. This was because Eversholt UK Rails Group Limited:

- was a new company, established as part of a wider reorganisation of parent companies in 2023; and
- did not prepare financial statements for the period ended 31 December 2023 as the period since its incorporation did not qualify as an accounting reference period under the Companies Act 2006.

The parent undertaking of the smallest group of undertakings for which group financial statements are drawn up and which the Company is a member of, is Eversholt UK Rails (Holding) Limited.

Notes to the consolidated annual financial statements (continued)
for the year ended 31 December 2024

34 Related-party transactions (continued)

34.1 Identity of related parties (continued)

Copies of the consolidated financial statements of Eversholt UK Rails Group Limited (and Eversholt UK Rails Limited for the year ended 31 December 2023) may be obtained from the following registered address:

First Floor
Chancery House
53-64 Chancery Lane
London
WC2A 1QS

34.2 Transactions with related parties

The Group received a management fee of £67,000 (2023: £74,000) from Eversholt UK Rails Limited during the year. Interest on the loan with Eversholt UK Rails Limited is disclosed in note 24. The loan was repaid in 2023.

Details of the Company's ordinary shares issued to Eversholt UK Rails Limited are set out in note 27.

34.3 Remuneration of key management personnel

	Company	
	31 December 2024 £'000	**31 December 2023 £'000**
Short-term employment benefits	**2,424**	2,245
Other long-term employment benefits	**415**	393
	2,839	2,638

Directors' emoluments are disclosed in note 10.

35 Contingent liabilities

There were no contingent liabilities for the Group at 31 December 2024 (2023: £nil).

36 Subsequent events

There are no subsequent events requiring disclosure in these financial statements.

Company statement of financial position

as at 31 December 2024

	Note	As at December 2024 £'000	As at December 2023 £'000
Assets			
Non-current assets			
Investment in subsidiaries	6	1,104,559	1,104,559
Amounts owed by group undertakings	7	67	98
Deferred tax	9	47	47
		1,104,673	1,104,704
Current assets			
Cash and cash equivalents	10	2,672	2,625
		2,672	2,625
Total assets		1,107,345	1,107,329
Liabilities and equity			
Current liabilities			
Trade and other payables	11	25	71
Current tax		15	-
		40	71
Total liabilities		40	71
Equity			
Share capital	12	-	-
Retained earnings		1,107,305	1,107,258
Total equity		1,107,305	1,107,258
Total equity and liabilities		1,107,345	1,107,329

The Company has not presented its own Income statement as permitted by Section 408 of the Companies Act 2006. The Company made a profit after tax of £60,047,000 (2023: £33,677,000) attributable to equity shareholders during the year. Total comprehensive income for 2023 and 2024 comprised solely the profit for the year.

The notes on pages 71 to 78 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 17 April 2025. They were signed on its behalf by:

A J Wesson
Director

Company registration number: 10783654

Company statement of cash flows
for the year ended 31 December 2024

	Note	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Cash flow from operating activities			
Profit before tax		**60,062**	33,669
Adjustments for:			
- Dividend income		**(60,000)**	(33,700)
- Finance income	*8*	**(4)**	(45,535)
- Finance expense	*8*	**-**	45,530
Operating cash flow before changes in working capital		**58**	(36)
(Decrease)/increase in trade and other payables		**(46)**	17
Net cash generated by / (utilised in) operating activities		**12**	(19)
Cash flow from investing activities			
Finance income received	*8*	**-**	45,530
Movement in intercompany loan with Eversholt Rail Limited	*8*	**35**	44
Dividends received		**60,000**	33,700
Net cash generated by investing activities		**60,035**	79,274
Cash flow from financing activities			
Finance expense paid	*8*	**-**	(45,530)
Shareholder dividends paid		**(60,000)**	(33,700)
Net cash utilised in financing activities		**(60,000)**	(79,230)
Net movement in cash and cash equivalents		**47**	25
Cash and cash equivalents at the beginning of the year		**2,625**	2,600
Cash and cash equivalents at the end of the year	*10*	**2,672**	2,625

Company statement of changes in equity
for the year ended 31 December 2024

	Note	Share capital £'000	Share Premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2023		-	-	766,719	766,719
Total comprehensive income		-		33,677	33,677
Issue of share capital			340,562		340,562
Capital reduction			(340,562)	340,562	-
Dividends paid		-		(33,700)	(33,700)
Balance at 31 December 2023		**-**	**-**	**1,107,258**	**1,107,258**
Total comprehensive income		**-**	**-**	**60,047**	**60,047**
Issue of share capital	***12***	**-**	**-**	**-**	**-**
Capital reduction	***12***	**-**	**-**	**-**	**-**
Dividend paid		**-**	**-**	**(60,000)**	**(60,000)**
Balance at 31 December 2024		**-**	**-**	**1,107,305**	**1,107,305**

Dividends of £582,524 per share were paid during the year (2023: £327,184 per share).

1 General Information

Eversholt UK Rails (Holding) Limited is a private company incorporated in England and Wales and is limited by shares. The registered office of the Company is First Floor, Chancery House, 53-64 Chancery Lane, London, WC2A 1QS, United Kingdom.

2 Basis of Preparation

These financial statements are presented in sterling (£'000), which is also the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.1 Compliance with IFRSs

The financial statements of Eversholt UK Rails (Holding) Limited have been prepared on the historical cost basis. These financial statements have been prepared in accordance with IFRSs, issued by the International Accounting Standards Board ("IASB") and endorsed for use in the UK by the UK Endorsement Board, referred to as "'UK-adopted IFRS", in conformity with the requirements of the Companies Act 2006.

UK endorsed IFRSs may differ from IFRSs as issued by the IASB if, at this point in time, new or amended IFRSs have not been adopted by the UK. At 31 December 2024, there were no unendorsed standards effective for the year ended 31 December 2024 affecting these financial statements, and there was no difference between IFRSs adopted by the UK and IFRSs issued by the IASB in terms of their application to the Company.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the IFRS Interpretations Committee and its predecessor body.

2.2 Standards and interpretations issued by the IASB

These are set out in note 2 of the consolidated financial statements.

2.3 Going concern

The Directors have considered the Company's forecasts and projections, taking account of reasonably possible changes in trading performance.

As well as its own resources, the Company is able to rely on financial support and access cash generated from other members of the Security Group, to the extent necessary, under the terms of the financing arrangements with lenders. In relation to the Security Group, the Directors have considered: its forecasts and projections; current financial resources (including cash of £358,096,000 (2023: £335,570,000), short-term deposits of £75,000,000, investment in financial assets of £3,600,000 and undrawn committed borrowing facilities of £450,000,000 as at 31 December 2024 (2023: £450,000,000 undrawn)); projected performance against financial covenants; the high level of forecast revenue underpinned by existing lease agreements; the legal arrangements in place in the event of an operator default and the extent to which the UK Government is the "operator of last resort" in such circumstances; and potential mitigating actions. Multiple scenarios were run against the most recent forecasts as well as assessing the level of forecast revenue that would need to be lost before the Security Group breached any of its borrowing covenants.

The Directors are satisfied that under all reasonable sensitivities the Company has adequate resources to continue in existence for the period of at least 12 months from the date when the financial statements are authorised for issue.

Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

3 Summary of material accounting policies

The material accounting policies adopted in the preparation of these financial statements are set out in note 3 to the consolidated financial statements.

The Company holds the following additional financial instruments, within the scope of the policies described in this note:

“Amounts owed by group companies” – these are measured on the same basis as “trade and other receivables”. Any impairment is determined in accordance with that described for “trade and other receivables”.

Significant estimates and assumptions in applying the Group’s accounting policies

The following area involves significant estimates and assumptions that management have made in the process of applying the Group’s accounting policies and that have a significant effect on the amounts recognised in the financial statements.

- Recoverability and value in use of investment in subsidiaries (see note 6).

Use of judgements, estimates and assumptions – Value in use of investment in subsidiaries

If there is an indication of impairment in the investment in subsidiaries, a loss will be recognised to reduce the carrying value to its recoverable value, as determined by its enterprise value. Enterprise value is calculated based on the present value of forecast cashflows generated by the investment, discounted at a market discount rate incorporating the time value of money and business specific risks. Future cash flows are forecast based on past performance, expectation of future performance and market information. The fair value of outstanding debt is deducted from the present value of expected cashflows from the subsidiaries’ underlying assets.

Recoverable value is sensitive to changes in the assumptions described above. The table below illustrates the impact of changes in assumptions on recoverable value for the Company’s investment in subsidiaries:

	Recoverable value Increase/(decrease)	
	31 December 2024 £’000	**31 December 2023 £’000**
Long term growth assumption in underlying subsidiary’s business		
0.5% increase	**194,000**	213,000
0.5% decrease	**(156,000)**	(166,000)
Discount rate*:		
0.3% (2023: 0.3%) increase	**(190,000)**	(198,000)
0.3% (2023: 0.3%) reduction	**218,000**	226,000

* 0.3% change is used in the discount rate sensitivity analysis, in light of the current market conditions.

4 Company result

The Company has not presented its own Income statement as permitted by Section 408 of the Companies Act 2006. The Company made a profit after tax of £60,047,000 (2023: £33,677,000 profit) attributable to equity shareholders during the year. The Company paid a dividend of £60,000,000 (2023: £33,700,000), equivalent to £582,524 per share (2023: £327,184).

5 Directors' emoluments

	Company	
Non-executive directors	**31 December 2024 £'000**	**31 December 2023 £'000**
Directors' fees	**(15)**	(15)

6 Investments in subsidiaries

Investment in Eversholt Investment Limited at cost	**Company £'000**
Balance at 1 January 2023	763,997
Additions	340,562
Balance at 31 December 2023	1,104,559
Additions	-
Balance at 31 December 2024	**1,104,559**

Details of the Company's direct and indirect investments are set out in note 19 of the consolidated financial statements.

In 2023 the Company invested in one ordinary share in Eversholt Investment Limited. The £1 share was issued at a premium of £340,562,000, in full satisfaction of its outstanding loan from the Company of £340,562,000 (see note 8).

7 Amounts owed by/to group undertakings

	31 December	
	2024 £'000	**2023 £'000**
Non-current assets		
Eversholt Rail Limited	**67**	98

During the year, the intercompany loan with Eversholt Rail Limited has been extended. This means that £60,000 is now repayable in November 2029 and £7,000 remains payable in November 2028. Borrowing entities may prepay and redraw loans until the repayment date. Interest on the loan is receivable monthly at SONIA plus a relevant credit adjustment spread.

8 Reconciliation of assets and liabilities arising from investing and financing activities

	Company				
31 December 2024	**As at 31 December 2023 £'000**	**Cash flows (payments) / receipts £'000**	**Non-cash finance expense / (income) £'000**	**Non-cash other movements (reduction) / increase £'000**	**As at 31 December 2024 £'000**
Financing activities attributable to:					
Assets					
Eversholt Rail Limited	**(98)**	**35**	**(4)**	**-**	**(67)**

	Company				
31 December 2023	**As at 31 December 2022 £'000**	**Cash flows (payments) / receipts £'000**	**Non-cash finance expense / (income) £'000**	**Non-cash other movements £'000**	**As at 31 December 2023 £'000**
Financing activities attributable to:					
Liabilities					
Eversholt UK Rails Limited*	(340,562)	45,530	47,891	340,562	-
	(340,562)	45,574	47,891	340,562	-
Financing activities attributable to:					
Assets					
Eversholt Rail Limited	(137)	44	-		(98)
Eversholt UK Rails Limited**	340,562	(45,530)	45,530	(340,562)	-
	340,562	(45,530)	45,530	(340,562)	-

*The non-cash movement of £340,562,000 is the settlement of loan through the issue of share capital (see note 27 to the consolidated financial statements).

**The non-cash movement of £340,562,000 is the recovery of loan through the Company investing further in Eversholt Investment Limited (see note 6).

9 Deferred tax

The following is the analysis of the deferred tax asset:

Company	**Tax losses £'000**
Balance at 1 January 2023	39
Credit to Income statement	8
Balance at 31 December 2023	**47**
Balance at 31 December 2024	**47**

Notes to the annual financial statements (continued)

for the year ended 31 December 2024

10 Cash and cash equivalents

Cash and cash equivalents are analysed as:

	Company	
	31 December 2024 £'000	**31 December 2023 £'000**
Bank accounts	**2,672**	2,625

Cash and cash equivalents includes a deposit of £2,600,000 (2023: £2,600,000) which is restricted as it provides security for the Profit Participating Shares issued by a subsidiary.

11 Trade and other payables

	Company	
	31 December 2024 £'000	**31 December 2023 £'000**
Accruals	**25**	71

12 Share capital

	Company	
	31 December 2024 £	**31 December 2023 £**
Authorised, called up and fully paid		
103 Ordinary shares of £1 each	**103**	103

The holders of ordinary shares are entitled to attend and vote at annual general meetings and receive dividends as and when declared.

Movement in 2023 is set out in note 27 to the consolidated financial statements.

13 Risk management

The Company is exposed to the risk of diminution in the value of the investment in its subsidiaries. The Company also has exposure to the following types of risk arising from its use of financial instruments: capital risk, credit risk, liquidity risk and market risk. Market risk includes interest rate risk and foreign exchange risk, as well as inflation risk. In respect of inflation in particular, the Company is closely monitoring changes in rate and any potential consequences – at this stage however, there is no material impact upon the Company.

There are no sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. This is disclosed in note 3.

The management of all risks which are significant, together with the quantitative disclosures not already included elsewhere in the financial statements, is described in this note.

Investments in subsidiaries

The Company monitors the performance of its subsidiaries on an ongoing basis having regards to the environment in which they operate and the risk to which they are exposed.

Capital risk management

The Board actively monitors the capital structure of the Company to ensure that it is able to continue as a going concern and can generate attractive and predictable returns for shareholders and benefits for other stakeholders. Consideration is given to the availability, cost and risks associated with each class of capital.

The capital structure of the Company consists principally of retained reserves.

The Company is not subject to any externally imposed capital requirements.

Credit risk management

Credit risk is the risk of financial loss if a counterparty fails to meet its obligations under a contract. The Company's principal credit exposure arises from the ability of its counterparties to service their obligations under the lending arrangements.

The Company monitors the exposure to Eversholt Investment Limited, Eversholt Rail Limited and the banks holding the Company's cash and cash equivalents balances on a regular basis. This includes considering the borrower's ability to service its obligations to the Company and other creditors, having regards to past, current and future circumstances.

As part of the Company's processes for credit risk management and assessment of ECL, as well as assessments as to whether there has been significant increase in the credit risk since the exposure first arose or whether a financial asset is credit impaired, management takes into account the following:

- Historical credit experience of the counterparty;
- Third party credit reports and analysis;
- Past, current and future events and circumstances that could impinge upon the counterparty's performance and ability to perform and service its obligations as they fall due and meet its commitments as they arise. This will include assessment of actual and potential external events, as well as the Group's internal information;

13 Risk management (continued)

Credit risk management (continued)

- The nature of the arrangements with the counterparty and whether there is related collateral/security which can be applied;
- The existence of any parties to which the Group might have recourse in the event of a counterparty default, for example, where a counterparty's activities and related obligations (wholly or partly) might be assumed by a successor; and
- The duration of the exposure under review.

The carrying value of the financial assets represents the Company’s maximum credit exposure to the borrower.

In light of the above, the Company has determined that no ECL allowance is required in relation to its loans receivable or cash and cash equivalents. This reflects the Company’s assessment of the borrowers’ risk and exposure, together with nature of recourse to which the lender and borrowers would have access in the event of a potential issue.

Market risk management

The Company is not exposed to foreign exchange risk on its financial assets and financial liabilities.

The Company has exposure to fluctuations in interest rates. This exposure is managed at a group level through the use of interest rate swaps.

Interest rate sensitivity analysis

A 50 basis points increase in SONIA would have resulted in an increase in intercompany interest income of £nil (2023: £78 based on 5 basis point increase in SONIA). The sensitivity analysis is applied to the borrowing rate and performed on the monthly balance of the relevant financial instrument and represents a reasonable approximation of possible change.

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its cash flow requirements on a daily basis and compares expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. Cash is managed on a consolidated basis across the Security Group which enables the Company to borrow funds from another group undertaking to meet any shortfall. Conversely, the Company lends any surplus funds to other group undertakings. Liquidity is further under-pinned by the ability of certain group undertakings to borrow under a £450,000,000 revolving credit facility, written in November 2022. £405,000,000 of the facility was extended by one year in 2024, the facility is for a period ending in November 2029. The residual £45,000,000 of the existing facility matures in November 2028.

Undiscounted cash flows in respect of the intercompany loans include the principal amount of intercompany loans only, due to the uncertainty of intercompany movements and of interest estimation. Interest on intercompany loans is settled as part of intercompany cash movements.

Undiscounted cash flows related to the financial assets and financial liabilities are analysed below by their contractual due date, including estimated interest cash flows where appropriate:

13 Risk management (continued)

Liquidity risk management (continued)

Company

	Carrying Value £'000	Contractual Cash flows £'000	On Demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
31 December 2024						
Financial assets						
Amortised cost						
Amounts owed by Eversholt Rail Limited	**67**	**67**	**-**	**-**	**67**	**-**
Cash and cash equivalents	**2,672**	**2,672**	**2,672**	**-**	**-**	**-**
	2,739	**2,739**	**2,672**	**-**	**67**	**-**
Financial liabilities						
Amortised cost						
Trade and other payables	**25**	**25**		**25**		
Total financial instruments	**2,714**	**2,714**	**2,672**	**(25)**	**67**	**-**

	Carrying Value £'000	Contractual Cash flows £'000	On Demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
31 December 2023						
Financial assets						
Amortised cost						
Amounts owed by Eversholt Investment Limited	-	-	-			
Amounts owed by Eversholt Rail Limited	98	98			98	
Cash and cash equivalents	2,625	2,625	2,625			
	2,723	2,723	2,625	-	98	-
Financial liabilities						
Amortised cost						
Trade and other payables	71	71		71		
Loan from Eversholt UK Rails Limited	-	-				-
	71	71	-	71	-	-
Total financial instruments	2,652	2,652	2,625	(71)	98	-

14 Fair value of financial assets and liabilities

There are no material differences between the carrying value and the fair value of financial assets and liabilities as at 31 December 2024 and 31 December 2023. Financial assets and liabilities for which valuation categorisation is required, fall within level 2.

15 Related-party transactions

The Company earned £66,000 (2023: £60,000) from Eversholt Rail Limited for consultancy services. The Company incurred a charge of £37,000 (2023: £44,000) from Eversholt Rail Limited for management fees.

Details of intercompany lending/borrowing are set out in notes 7 and 8.

16 Contingent liabilities

There were no contingent liabilities for the Company as at 31 December 2024 (2023: £nil).

17 Subsequent events

There are no subsequent events requiring disclosure in these financial statements.