

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

**Annual report and financial statements
for the year ended 31 December 2025**

Registered No: 10783654

Annual report and financial statements

for the year ended 31 December 2025

Contents	Page
Strategic report	2
Directors' report	10
Statement of Directors' responsibilities	14
Independent Auditor's report	15
Consolidated income statement	20
Consolidated statement of comprehensive income	20
Consolidated statement of financial position	21
Consolidated statement of cash flows	23
Consolidated statement of changes in equity	24
Notes to the consolidated annual financial statements	25
Company statement of financial position	68
Company statement of cash flows	69
Company statement of changes in equity	70
Notes to the Company annual financial statements	71

Strategic report

for the year ended 31 December 2025

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.

On 20 January 2026, the Company’s ownership changed. Up until this date, the Company’s ultimate parent had been Eversholt UK Rails Group Limited (“EUKRGL”). This changed when Beacon Rail Group acquired the issued share capital of an intermediary holding company, Eversholt UK Rails Limited that was a direct subsidiary of EUKRGL. Details are set out in note 36. Going forward, the Group’s business will operate under the Beacon brand.

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.

Following the acquisition of Eversholt UK Rails Limited by the Beacon Rail Group, the Group will continue to pursue its strategic objectives and management of ESG matters, both of which are aligned with those of the wider Beacon Rail Group.

3. Business environment

3.1 Developments in the UK rail industry

In February 2025, the Department for Transport (“DfT”) issued a consultation seeking views on new policies to be included in the forthcoming Railways Bill, which will enable the establishment of Great British Railways (“GBR”). The resulting Railways Bill was presented to Parliament on 5 November 2025 and is currently at the report stage in the House of Commons. GBR is expected to be operational around 12 months after the bill receives Royal Assent.

In March 2025 the Office of Rail and Road (“ORR”) launched a routine review of the Rolling Stock Leasing Market Investigation Order 2009 (“the Transparency Order”), in a similar exercise to one it concluded in April 2020. The ORR published its findings on 4 December 2025 and has concluded that the Transparency Order continues to be appropriate and that the terms of the Transparency Order should be brought up to date in light of the legislative changes to ensure that it continues to be fit for purpose. The redrafting has commenced and a formal review will be performed no later than five years from the date of the report. The Group has engaged with the DfT and ORR respectively in relation to the above.

Strategic report (continued)
for the year ended 31 December 2025

3. Business environment (continued)

3.1 Developments in the UK rail industry (continued)

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.

During 2025 three Train Operating Companies (“TOCs”) have been nationalised under The Passenger Railway Services (Public Ownership) Act 2024. This is part of the wider plan to bring operators under public control by the end of 2027, as a prelude to the creation 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 an ambition to remove all diesel-only trains by 2040. Scottish Ministers set an earlier deadline for the removal of diesel only passenger trains of 2035, but this has been extended to 2045, by which time they have committed to replacing all existing trains with zero-emission alternatives. In addition to this, the UK Government is currently considering options and reviewing evidence on rail air quality improvements.

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

	2025	2024
Number of vehicles owned by the Group	2,710	2,798
Group rolling stock utilisation (percentage of vehicles available for lease which were let)	100.0%	100.0%

Leasing developments

- On 5 February 2025 a new lease for 5 six-car Class 222 units (30 vehicles) was agreed with First Rail Stirling Limited. The first unit was transferred to the new operator on 3 October 2025 and the last unit was transferred on 15 February 2026. The lease expires in June 2030. First Rail Stirling Limited has the option to extend the lease to June 2033;
- On 6 March 2025 the Class 170 lease with East Midlands Railway was extended to 13 October 2030;
- On 25 May 2025 the Northam depot lease with South Western Railway was extended to 26 May 2030; and
- On 19 September 2025 the Class 91 and Mk4 leases with LNER was extended until 31 December 2027 (with provisions for a minority of individual vehicles to be redelivered at different times during the period).

Asset disposals

During the year, the final units of the Group’s Class 321 fleets were reprocessed. The disposal of these vehicles generated proceeds of £0.6m (2024: £0.5m) and resulted in a profit on disposal of £0.6m (2024: £0.5m). During the year, there has been no need to write down any vehicles, as recoverable value exceeds net book value (2024: £13.0m write down). The 2024 write-down was identified as part of management’s annual assessment of the commercial value of the Group’s fleets.

Heavy maintenance

During 2025 the Group managed contracts delivering heavy maintenance projects on four of its fleets, including mileage-based overhauls on our Class 318 and Class 320/4 fleets and contract signed for Class 465 mileage-based overhaul. We also managed the procurement and delivery of two time-based overhaul projects on the Class 320/4 and Class 334 fleets. The Group spent £20.0m during 2025 on maintenance and asset management activity (2024: £12.7m), the increase compared to 2024 reflects the timing of heavy maintenance events.

Strategic report (continued)
for the year ended 31 December 2025

4. Development and performance of the business (continued)

4.1 Leasing and asset managing our existing UK fleet (continued)

Fleet modifications

Several upgrade projects were progressed during 2025 including interior refresh and system upgrades for the Class 395 and refurbishment projects on the Class 376 and Class 222 fleets. Work continues on minor improvements to Class 331, Class 195, Class 802 and Class 158 fleets. We have commenced a programme of capex for the Class 222 for First Stirling and for short life equipment at Northam Depot. Expenditure on modification and refurbishment projects totalled £6.1m in 2025 (2024: £2.3m).

Fleet development

The Group explored how its self-powered rolling stock fleets could be adapted to support decarbonisation. During 2025 the Group continued to progress the design and First In Class trial of intelligent engine management on the Class 222 fleet with the objective of improving fuel efficiency and emissions.

4.2 Acquisition of new and existing UK rolling stock assets

The Group did not acquire any new rolling stock assets during 2025. There was no expenditure on new build rolling stock in the year (2024: £3.2m relating to acceptance payments for rolling stock already in service).

	2025	2024
Expenditure on new build rolling stock	£nil	£3.2m

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

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

The Group earned revenue from leases relating to its leasehold interests in two depots. The Northam Depot lease was extended during 2025 as noted in section 4.1 – this included investment in on-site equipment. The Group continued 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”), continued to develop the Revolution Very Light Rail (“RVLR”) vehicle. The Group worked with train operators and regional transport bodies to develop trial opportunities and finalise the detailed specification of the Pre-Series vehicles.

The Group continued to explore the development of potential modifications of diesel fleets to reduce emissions including start/stop technology, modernising key components and fuel treatment options. We also continued to monitor 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 aimed to collaborate with suppliers and customers to continuously improve emissions data accuracy.

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.

	2025	2024
Total spend on enabling low carbon technologies	£1.6m	£3.4m
Scope 3	657,836t CO₂e	652,908t CO ₂ e
of which, account for emissions from downstream leased assets ¹	650,950t CO₂e	647,251t CO ₂ e

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.

Strategic report (continued)
for the year ended 31 December 2025

4. Development and performance of the business (continued)

4.4 Innovating to support the transport decarbonisation journey (continued)

Further information regarding ESG matters will be reported in our 2025 Sustainability 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 was managed by dedicated fleet managers with the support of project and account managers. The team comprised of experienced railway professionals with an in-depth knowledge of whole life rolling stock management and our fleets. Their focus was safety, train performance and the development and positioning of fleets to protect and enhance their value.

The Group was directly involved in defining industry best practice, technologies and policies.

When an asset has reached the end of its life, we followed 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 2025 Golden Spanners industry awards which celebrate excellence in train maintenance. The Group won a gold award in the first generation new diesel multiple unit category for the C185 fleet, and silver for most improved ex-British Rail electric multiple unit, for the C318 fleet in Scotland.

4.6 Providing a great place to work

The average number of persons employed by the Group during the year was 107 (2024: 104). The Group is committed to the continued professional development and wellbeing of its staff. Currently 40% of our workforce are women which is above the recently published industry average of 19%² for the UK Rail sector. Details of our 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 15.7 hours of training in 2025, equivalent to a spend of approximately £2,602.

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

	2025	2024
Training hours per employee	15.7	17.3
Training spend per employee	£2,602	£2,092
Employee turnover rates	4.7%	3.9%

4.7 Delivering results with integrity

The Group is committed to conducting business responsibly and ethically. Our Code of Practice explained 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 is 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.

Climate-related and ESG risks are integrated into the Group’s Corporate Risk Management Procedure, ensuring risks are clearly owned and control measures are in place.

² <https://www.nsar.co.uk/wp-content/uploads/2025/12/Annual-Workforce-Survey-2025-web-download.pdf>

Strategic report (continued)

for the year ended 31 December 2025

5. Risk management (continued)

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. The Group is also monitoring the extent of competing forms of alternative transport, including electric vehicles.

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 remains committed to an investment grade rating.

Strategic report (continued)
for the year ended 31 December 2025

5. Risk management (continued)

Principal risks and uncertainties (continued)

Treasury and credit rating (continued)

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 £313.3m (2024: £301.3m) and a profit after tax of £90.5m (2024: £72.1m). The increase in operating lease rentals is primarily due to contractual rental step-ups arising from new lease contracts entered into from December 2024. The increase in profit after tax in 2025 reflects the reversal of write-downs recognised in previous periods in relation to rolling stock offset by losses from changes in value of derivative financial instruments measured at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. As at 31 December 2025 the Group had net liabilities of £118.7m (2024: net liabilities of £14.4m). The increase in net liabilities at 31 December 2025 reflects profit for the year and the payment in the year of a dividend of £200.0m. The Group employed an average of 107 staff (2024: 104).

The Group’s results for the year are detailed in the Income statement on page 20.

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.

As at 31 December 2025, 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 2024: Baa2). At the same date the Fitch Ratings grading for the Group was BBB (31 December 2024: BBB) and the bonds issued under its MTN programme were rated BBB+ (31 December 2024: BBB+).

On 17th October Fitch Ratings placed Eversholt UK Rails (Holding) Limited and Eversholt Funding Plc’s BBB Long Term Issuer Default Ratings on Rating Watch Negative (“RWN”). Fitch Ratings also placed the BBB+ senior secured long term rating of the bonds issued by Eversholt Funding plc on RWN. The key rating driver for the RWN was the announced sale of Eversholt UK Rails Limited to Beacon Rail Lux Holdings S.à r.l. Fitch Ratings cited Eversholt Rail’s financial policy regarding leverage, capital structure and overall risk appetite post-acquisition as being key considerations in resolving the RWN.

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.

Strategic report (continued)

for the year ended 31 December 2025

8. Communities

We continued 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 raised awareness of the charity, raised funds, provided 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 2025, we continued our partnerships with Primary Engineer and Wonderlab in conjunction with the National Rail Museum, York, to attract young people into Engineering. During 2025 we also supported a number of Rail 200 activities that took place across the UK to celebrate the 200th anniversary of the modern railway. Activities included providing support for schools to visit the Bluebell Railway Rail 200 exhibition to learn about the past, present and future of railways as well as showcasing RVLR at the anniversary event held at NRM Shildon.

9. 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.

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 Limited (a parent company of the Eversholt UK Rails Group) for the year ended 31 December 2025

The Company was formed in 2017 to act as the parent of the Security 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.

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.

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 2025, 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.

Strategic report (continued)

for the year ended 31 December 2025

9. Section 172(1) statement (continued)

Identification of, and engagement with, stakeholder groups (continued)

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 corporate governance statement within the Annual report and financial statements of Eversholt UK Rails Limited for the year ended 31 December 2025 ("Parent Governance Statement").

Approved by the Board and signed on its behalf by:



A L Cunliffe
Director

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United Kingdom

22 April 2026

Directors' report

for the year ended 31 December 2025

The Directors present their Annual report together with the audited financial statements for the year ended 31 December 2025.

Directors

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

M B Kenny (resigned 16 February 2026)
 A J Wesson (resigned 20 February 2026)
 LDC Securitisation Director No 3. Limited
 D Spence (resigned 17 February 2026)
 L R Warsop (resigned 10 February 2026)
 G A Blackburn (appointed 20 January 2026)
 A L Cunliffe (appointed 20 January 2026)
 K R Howard (appointed 20 January 2026)
 C G-F Navarro (appointed 20 January 2026)
 E Mircica (appointed 20 January 2026)

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 2020. In this respect the Group provides the following information for the year ended 31 December 2025:

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 2025, together with comparatives:

Year ended 31 December	2025	2024
Gas combustion (kWh)	-	-
Fuel consumption for transport purposes (kWh)	23,018	30,682
Electricity usage (kWh)	-	-
Emissions from combustion of gas, tCO ₂ e (Scope 1)*	-	-
Emissions from combustion of fuel for transport purposes, tCO ₂ e (Scope 2)	-	-
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel, tCO ₂ e (Scope 3)	7.13	7.47
Emissions from purchased electricity, tCO ₂ e (Scope 2, location-based)*	-	-
Total gross CO ₂ e based on above, tCO ₂ e	7.13	7.47
Intensity ratio: tCO ₂ e/employee (107 employees in 2025 and 104 in 2024)	0.07	0.07

Directors' report (continued)

for the year ended 31 December 2025

Streamlined energy and carbon reporting ("SECR") (continued)

Year ended 31 December	2025	2024
Methodology	All tCO₂e emissions have been calculated using 2025 UK Government GHG conversion factors for Company Reporting	All tCO ₂ e emissions have been calculated using 2024 UK Government GHG conversion factors for Company Reporting

* For 2025 building related gas consumption was 83,167 kWh, with associated carbon emissions of 15.22 tCO₂e. In addition, there was building related electricity consumption of 104,503 kWh, with associated location-based carbon emissions of 18.50 tCO₂e. 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. 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 does 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 (i.e. the property managers FORA as they retain(ed) operational control over the site). Please note that energy consumption for 2025 has increased compared to 2024, due to changes in FORA's calculation approach to include communal spaces resulting in a larger amount of consumption being apportioned to the Group.

(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. Energy saving awareness training delivered by the Energy Saving Trust was organised for all employees in 2025 as part of a sustainability awareness day. The session focused on practical steps employees can take in the workplace to minimise energy waste as well as improving overall understanding of the importance of energy efficiency. The Cycle to Work scheme continues to encourage our workforce to adopt greener modes of transport.

(b) Reporting methodology for 2025:

- 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 "2025 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 manager in total building kWh, proportionally split by occupied space and communal areas. kWh's have been converted to tCO₂e using the above described GHG conversion factors.
- Monthly gas consumption data was provided by the property manager in kWh's in total building kWh, proportionally split by occupied space and communal areas. kWh's have been converted to tCO₂e using the above described GHG conversion factors.
- Grey fleet usage was provided as a breakdown of mileage. Mileage figures were converted into tCO₂e using the conversion factors described above. To streamline the data collection process for 2025 and align with a systems based methodology, it was decided to continue to use average car size conversion factors. The Group is enhancing its data collection processes for the 2026 reporting cycle and is exploring incorporating car size details to better align with the appropriate emissions factors to achieve improved accuracy and precision in emissions reporting.

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 2025 SECR methodology are set out in the Annual report and financial statements for the year ended 31 December 2025 for the relevant companies.

Directors' report (continued)

for the year ended 31 December 2025

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 (2024: £nil).

Risk management and corporate governance

Details of the Group's risk management are set out in the Strategic report. Corporate governance arrangements are set out in the Parent Governance Statement

Events after the end of the financial year

On 20 January 2026, Beacon Rail Falcon Limited acquired the issued share capital of Eversholt UK Rails Limited. Beacon Rail Falcon Limited is a UK incorporated company and is an indirect subsidiary of Beacon Rail Lux Holdings S.à r.l., a Luxembourg domiciled holding company of Beacon Rail Group and whose ultimate parent and controlling party is IIF Holding GP LLC. See note 36.

Eversholt UK Rails Limited continues to be a holding company of Eversholt UK Rails (Holding) Limited and was a direct subsidiary of EUKRGL prior to the change in ownership.

Future developments

In February 2025, the Department for Transport ("DfT") issued a consultation seeking views on new policies to be included in the forthcoming Railways Bill, which will enable the establishment of Great British Railways ("GBR"). The resulting Railways Bill was presented to Parliament on 5 November 2025 and is currently at the committee stage in the House of Commons. GBR is expected to be operational around 12 months after the bill receives Royal Assent. 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.

Where possible, the Directors intend to integrate the Group's business with that of the wider Beacon Rail Group.

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 £200.0m (2024: £60.0m).

Going concern basis

The Directors have considered the Group's forecasts and projections, together with the debt maturing in 2026 and 2027; current financial resources including cash of £112.0m (2024: £149.4m), short-term deposits of £38.4m (2024: £283.7m), investment in financial assets of £3.8m (2024: £3.6m) and undrawn committed borrowing facilities of £450.0m as at 31 December 2025 (2024: £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 have also considered the forecasts, projections and financing facilities available to Beacon Rail Lux S.à r.l and its subsidiaries and its subsidiaries and expect the Company to continue its operations.

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.

Directors' report (continued)

for the year ended 31 December 2025

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

Under the Companies Act 2006, Deloitte LLP was reappointed the Auditor for the year ended 31 December 2025.

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 2025 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:



A L Cunliffe
Director

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

22 April 2026

Statement of Directors' responsibilities

for the year ended 31 December 2025

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 (IFRS) 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 22 April 2026 and is signed on its behalf by:



A L Cunliffe
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 2025

Report on the audit of the financial statements

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 2025 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 and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company statement of cash flows;
- the related notes 1 to 36 to the consolidated financial statements; 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 and Beacon Rail Lux Holdings S.à r.l. 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

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

for the year ended 31 December 2025

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
- 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 directors' responsibilities statement, 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.

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

for the year ended 31 December 2025

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.

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, UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group'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, IT and financial instruments specialists 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 there is a fraud risk in relation to revenue recognition and conduct our audit testing accordingly. We have pinpointed this risk to the accuracy of maintenance income recognised in line with contractual arrangements. Non-capital rental income pertains to amounts recognised in respect of maintenance activities. There is a risk present owing to the fact that management's judgement is required when determining the amount of revenue to be recognised in the reporting period. There is judgement in respect of future maintenance costs and the nature of timing of the work that will be required in the contract period.

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 with the prior year policy. 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 have 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 have 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.

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.

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

for the year ended 31 December 2025

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 2025

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.



David Johnson FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
22 April 2026

Consolidated income statement

for the year ended 31 December 2025

	Note	Group	
		Year ended 31 December 2025 £'000	Year ended 31 December 2024 £'000
Revenue			
Operating lease income	4.1	313,291	301,302
Maintenance income	4.1	18,465	10,383
Finance lease income	4.1	320	250
Other income	4.1	2,411	6,053
Total revenue		334,487	317,988
Cost of sales	5	(90,784)	(122,737)
Gross profit		243,703	195,251
Finance income	6	19,699	22,031
Finance expense	7	(109,445)	(117,336)
Net fair value (loss) / gain on derivative financial instruments	17	(3,595)	16,687
Pension finance (expense) / credit	31.6	(36)	33
Administrative expense	8	(29,642)	(29,664)
Profit on disposal of property, plant and equipment		630	515
Profit before tax		121,314	87,517
Income tax charge	11	(30,844)	(15,416)
Profit for the year		90,470	72,101

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 2025

	Note	Group	
		Year ended 31 December 2025 £'000	Year ended 31 December 2024 £'000
Profit for the year		90,470	72,101
Other comprehensive income / (expense)			
Actuarial gain/(loss) on defined benefit scheme	31.7	185	(1,365)
Tax (charge)/credit in respect of actuarial gain/(loss) on defined benefit scheme	18	(46)	341
Effective portion of changes in fair value of cash flow hedges	17	2,087	8,794
Transfer of loss on cash flow hedges to Income statement	17	4,663	4,525
Tax charge on effective portion of changes in fair value of cash flow hedges	17	(1,687)	(3,330)
Total comprehensive income		5,202	8,965
Total comprehensive income for the year		95,672	81,066

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

As at 31 December 2025

	Note	Group	
		As at 31 December 2025 £'000	As at 31 December 2024* £'000
Assets			
Non-current assets			
Property, plant and equipment	12	1,703,666	1,767,946
Right-of-use assets	13	5,504	6,016
Finance lease receivables	14	1,789	3,082
Derivative financial instruments	17	151,393	157,627
		<u>1,862,352</u>	<u>1,934,671</u>
Current assets			
Finance lease receivables	14	1,294	1,190
Contract assets	4.2	3,081	5,563
Trade and other receivables	15	5,368	13,736
Current tax		1,286	16,454
Cash and cash equivalents	20	112,027	149,354
Short-term deposits with original maturity greater than three months	20	38,432	283,742
Other financial assets	21	3,772	3,618
		<u>165,260</u>	<u>473,657</u>
Total assets		<u>2,027,612</u>	<u>2,408,328</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	22	46,255	48,416
Contract liabilities	4.2	1,517	7,275
Lease liabilities	16	631	613
Borrowings	23	100,908	337,704
Other liabilities	25	12,119	14,874
		<u>161,430</u>	<u>408,882</u>
Non-current liabilities			
Retirement benefit obligations	31 .5	614	710
Borrowings	23	1,369,746	1,453,569
Deferred tax	18	11,284	5,179
Contract liabilities	4.2	50,581	32,114
Other liabilities	25	314,525	278,725
Derivative financial instruments	17	226,118	230,874
Lease liabilities	16	5,808	6,441
Provisions	26	6,215	6,215
		<u>1,984,891</u>	<u>2,013,827</u>
Total liabilities		<u>2,146,321</u>	<u>2,422,709</u>
Equity			
Share capital	27	-	-
Other reserve		13,672	13,672
(Accumulated deficit) / retained earnings		(95,617)	13,774
Hedging reserve		(36,764)	(41,827)
Total equity		<u>(118,709)</u>	<u>(14,381)</u>
Total equity and liabilities		<u>2,027,612</u>	<u>2,408,328</u>

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

Consolidated statement of financial position (continued)

As at 31 December 2025

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 22 April 2026 and were signed on its behalf by:



A L Cunliffe
Director

Company registration number: 10783654

Consolidated statement of cash flows

for the year ended 31 December 2025

	Note	Group	
		Year ended 31 December 2025 £'000	Year ended 31 December 2024* £'000
Cash flow from operating activities			
Profit before tax		121,314	87,517
Adjustments for:			
- Depreciation	12	95,525	96,416
- Write down of rolling stock	12	(25,100)	13,017
- Depreciation of right-of-use assets	13	512	601
- Write-down of right-of-use assets	13	-	101
- Fair value gain on derivative financial instrument	17	3,595	(16,687)
- Profit on disposal of property, plant and equipment		(630)	(515)
- Amortisation of capitalised transaction costs	7 / 24	478	488
- Finance expense	7	108,967	116,848
- Finance income	6	(19,699)	(22,031)
- Other income	4.1	-	(4,193)
- Adjustment for non-cash element of pension charge		89	21
Operating cash flow before changes in working capital		285,051	271,583
Decrease in finance lease receivables		1,189	1,270
Decrease in trade and other receivables and contract assets		10,850	6,409
Increase in other and contract liabilities		32,518	41,681
Increase in provisions	26	-	1,214
Decrease in trade and other payables		(2,159)	(1,670)
Cash flow generated by operating activities		327,449	320,487
Taxation paid		(11,304)	(21,964)
Interest received	6	19,545	21,914
Net cash generated by operating activities		335,690	320,437
Cash flow from investing activities			
Acquisition of property, plant and equipment	12	(6,145)	(5,530)
Proceeds from disposal of property, plant and equipment		630	515
Other financial assets	21	-	(3,501)
Short-term deposits with original maturity greater than three months	20	245,310	(283,742)
Net cash generated by / (utilised in) investing activities		239,795	(292,258)
Cash flow from financing activities			
External borrowings paid	24	(322,062)	(57,712)
Repayment of lease liability	16	(770)	(768)
Interest paid on bonds	24	(79,212)	(83,697)
Profit Participating Shares interest paid	24	(321)	(514)
Interest paid on swaps	24	(8,963)	(9,374)
Other financing fees		(1,484)	(2,330)
Dividends paid		(200,000)	(60,000)
Net cash utilised in financing activities		(612,812)	(214,395)
Net movement in cash and cash equivalents		(37,327)	(186,216)
Cash and cash equivalents at the beginning of the period		149,354	335,570
Cash and cash equivalents at the end of the year	20	112,027	149,354

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

Consolidated statement of changes in equity

for the year ended 31 December 2025

		Share capital	Other reserve	Hedging reserve	Retained earnings / (accumulated deficit)	Total equity
	Note	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2024		-	13,672	(51,816)	2,697	(35,447)
Profit for the period		-	-	-	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)
Profit for the year		-	-	-	90,470	90,470
Effective portion of changes in fair value of cash flow hedges	17	-	-	2,087	-	2,087
Transfer of loss on cash flow hedges to Income statement	17	-	-	4,663	-	4,663
Tax charge on changes in effective portion of changes in fair value of cash flow hedges	17	-	-	(1,687)	-	(1,687)
Actuarial gain on defined benefit scheme after tax		-	-	-	139	139
Total comprehensive income		-	-	5,063	90,609	95,672
Dividend paid	29	-	-	-	(200,000)	(200,000)
Balance at 31 December 2025		-	13,672	(36,764)	(95,617)	(118,709)

Dividends of £1,941,748 (2024: £582,524) 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 2025

1 General Information

Eversholt UK Rails (Holding) Limited (the “Company”) 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 the Group, together with the Company only financial statements.

2.1 Prior year restatement

At 31 December 2024, an amount of £208.7m, which related to fixed term bank deposits with maturities of greater than three months from the date of acquisition, was presented within ‘cash and cash equivalents’ in both the Statement of Financial position and in the Statement of Cash Flows. As these deposits did not meet the definition of a cash equivalent in IAS 7 ‘Statement of Cash Flows’, they have been reclassified to ‘short-term deposits with original maturity greater than three months’ in the Statement of Financial Position as at 31 December 2024. In addition, there has been a corresponding adjustment in the Statement of Cash flows for the year ended 31 December 2024 to remove these deposits from ‘cash and cash equivalents’ and instead to present the cash outflow for the acquisition of these deposits as part of the line item ‘short-term deposits with original maturity greater than three months’ which is included as part of ‘net cash utilised in investing activities’.

	As at 31 December 2024 £'000
Cash and cash equivalents as previously reported	358,096
Reclassification:	<u>(208,742)</u>
Cash and cash equivalents restated	<u>149,354</u>

This had led to corresponding change in the related cashflow movement for the year ended 31 December 2024.

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.

Other than in relation to the 2017 restructure (see page 24) 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.

2.3 Compliance with IFRS Accounting Standards

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” in conformity with the requirements of the Companies Act 2006.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

2 Basis of Preparation (continued)

2.3 Compliance with IFRS Accounting Standards (continued)

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 2025, there were no unendorsed standards effective for the year ended 31 December 2025 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 amendment which was UK endorsed and effective for accounting periods beginning on or after 1 January 2025. There is no material effect on the financial statements:

Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (adopted in 2024).

At 31 December 2025, a number of amendments to standards have been issued by the IASB, which are not effective for the Group's financial statements as at 31 December 2025. 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 2026 - Amendments to IFRS 9 and IFRS 7: Amendments to the Classification and Measurement of Financial Instruments
- 1 January 2026 - Amendments to IFRS 9 and IFRS 7: Contracts Referencing Nature dependent Electricity
- 1 January 2026 - Annual improvements to IFRS Accounting Standard – Volume 11

(All changes effective 1 January 2026 have been UK adopted)

- 1 January 2027 - IFRS 18 Presentation and Disclosure in Financial Statements (adopted December 2025)
- 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 2026 and 2027; current financial resources (including cash of £112.0m (2024: £149.4m), short-term deposits of £38.4m (2024: £283.7m), investment in financial assets of £3.8m (2024: £3.6m) and undrawn committed borrowing facilities of £450.0m as at 31 December 2025 (2024: £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 have also considered the forecasts, projections and financing facilities available to Beacon Rail Lux S.à r.l and its subsidiaries and expect the Company to continue its operations.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

2 Basis of Preparation (continued)

2.5 Going concern (continued)

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.

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, or
- 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

3 Summary of material accounting policies (continued)

3.1 Accounting for lease transactions (continued)

The Group as lessor (continued)

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.

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.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

3 Summary of material accounting policies (continued)

3.4 Income tax (continued)

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. Refurbishment additions to existing rolling stock and other railways assets have useful lives ranging from 7 to 11. Useful economic lives and carrying values are reviewed at least annually.

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.

Right-of-use assets 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

3 Summary of material accounting policies (continued)

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.

Dividend income from subsidiaries is recognised when the right to receive payment is established.

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.

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 deposits of greater than three months original 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 and other 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

3 Summary of material accounting policies (continued)

3.7 Financial instruments (continued)

Impairment of financial assets (continued)

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.

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.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

3 Summary of material accounting policies (continued)

3.7 Financial instruments (continued)

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.

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 liabilities 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. Movements in intercompany assets are shown under the heading of “Investing activities”.

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.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

3 Summary of material accounting policies (continued)

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.

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 Other financial assets

The policy in relation to "Other financial assets" is applied to the Company'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.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

3 Summary of material accounting policies (continued)

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, maintenance 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.

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;
- Recoverability and value in use of rolling stock – see note 3.14b and 12;
- Maintenance income – see note 4.1; and
- 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:

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

3 Summary of material accounting policies (continued)**3.14 Use of judgements, estimates and assumptions (continued)****b. Recoverable value in use of rolling stock assets (continued)**

	Group Recoverable value Increase/(decrease)	
	31 December 2025 £'000	31 December 2024 £'000
End of final lease term		
1 year increase	67,425	31,156
1 year reduction	(71,361)	(36,754)
Projected rentals:		
1% increase	17,121	17,688
1% reduction	(17,116)	(17,688)
Discount rate*:		
0.3% (2024: 0.3%) increase	(49,705)	(49,793)
0.3% (2024: 0.3%) reduction	51,594	51,778

* 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.

At the end of the financial year the recoverable amount of 'rolling stock assets' was in excess of its carrying amount by £592.8m on an aggregate basis (2024: £424.0m).

c. Maintenance income recognition

The Group receives payments from train operators over the lease term in relation to the supply of future maintenance services to those parties. Revenue from these contracts is recognised over time as maintenance work is performed, in accordance with IFRS 15 "Revenue from Contracts with Customers".

The recognition of maintenance income involves significant estimation uncertainty, particularly regarding the timing and extent of future maintenance work and associated costs and charges to customers. These estimates are projected by fleet on a whole-of-life basis.

Key assumptions that are subject to estimation uncertainty include:

- Future maintenance costs: Forecasts of the costs to be incurred over the life of the fleet.
- Timing of maintenance events: The schedule and frequency of future maintenance activities.
- Future prices and charges: The prices and charges applied to customers for these services.

These assumptions are critical because incorrect forecasts could lead to revenue not being recognised in line with contractual arrangements or not on a timely basis, potentially resulting in a material adjustment to the carrying amounts of contract liabilities and revenue recognised in future periods.

The methodology and basis of these assumptions are well-established, utilising historic information as a key input for forecasting future costs and timing of maintenance events. These forecasts are updated biannually.

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).

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

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 2025 £'000	Year ended 31 December 2024 £'000
Operating lease rental income	313,291	301,302
Finance lease income	320	250
Revenue from contracts with customers		
- Maintenance income	18,465	10,383
- Other income	2,411	6,053
	<u>334,487</u>	<u>317,988</u>

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 2025 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	
	Year ended 31 December 2025 £'000	Year ended 31 December 2024 £'000
Within 1 year	33,924	32,320
1-5 years	123,653	122,404
	<u>157,577</u>	<u>154,724</u>

Other income

Other income includes the provision in the UK of asset management services £2,411,000 (2024: £1,860,000).

In 2024, other income included £4,193,000 in relation to the remeasurement of a finance lease receivable, attributable to the extension of the term of an existing lease arrangement (see note 14).

The transaction price allocated to (partially) unsatisfied performance obligations as at 31 December 2025 is set out below.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

4 Revenue from contracts with customers (continued)

4.1 Revenue information (continued)

Other income (continued)

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

	Group	
	Year ended 31 December 2025 £'000	Year ended 31 December 2024 £'000
Within 1 year	1,801	1,748
1-2 years	-	728
	<u>1,801</u>	<u>2,476</u>

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:

	As at 31 December 2025 £'000	Group As at 31 December 2024 £'000	As at 1 January 2024 £'000
Contract assets	3,081	5,563	12,755
Contract liabilities	52,098	39,389	23,430
Trade receivables	5,262	7,432	9,223

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 £18,465,000 (2024: £10,383,000) recognised in contract liabilities at the beginning of the year has been recognised as revenue for the year ended 31 December 2025.

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 2025

5 Cost of sales

	Group	
	Year ended 31 December 2025 £'000	Year ended 31 December 2024 £'000
Depreciation - rolling stock and other railway assets (note 12)	(95,403)	(96,298)
Write-down of rolling stock (note 12)	25,100	(13,017)
Depreciation - right-of-use asset - other railway assets (note 13)	(512)	(601)
Write-down - right-of-use of assets (note 13)	-	(101)
Maintenance and asset management costs	(19,969)	(12,720)
	<u>(90,784)</u>	<u>(122,737)</u>

6 Finance income

	Group	
	Year ended 31 December 2025 £'000	Year ended 31 December 2024 £'000
Income from money market liquidity funds carried at fair value through profit or loss:		
Change in fair value	154	117
	<u>154</u>	<u>117</u>
Bank interest - income on financial assets carried at amortised cost	19,545	21,914
Total finance income	<u>19,699</u>	<u>22,031</u>

7 Finance expense

	Group	
	Year ended 31 December 2025 £'000	Year ended 31 December 2024 £'000
Profit participating preference share dividend	(285)	(369)
Interest payable on bonds	(77,222)	(82,870)
Bonds - other finance costs	(2,990)	(2,860)
Fees payable on undrawn committed borrowing facilities	(1,532)	(1,948)
Amortisation of capitalised transaction costs	(478)	(488)
Finance expense in relation to financial liabilities carried at amortised cost	(82,507)	(88,535)
Transfer from hedging reserve	(4,663)	(4,242)
Lease liability interest	(155)	(149)
Interest payable in relation to derivatives	(8,933)	(9,399)
Other finance costs	(13,187)	(15,011)
Total	<u>(109,445)</u>	<u>(117,336)</u>

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

8 Administrative expense

In addition to payroll costs in note 9, administrative expense includes:

	Group	
	Year ended 31 December 2025 £'000	Year ended 31 December 2024 £'000
Foreign exchange gain	-	4
Depreciation – other assets	(122)	(118)
Fees payable to the Company's auditor for the audit of the Group's annual financial statements	(803)	(664)

Audit fees shown above include £26,000 (2024: £17,000) payable to Company's auditor for the audit of the Company's annual financial statements.

There were no fees payable to the Company's auditor for non-audit services (2024: £nil).

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 2025 Number	Year ended 31 December 2024 Number
Directors	5	5
Operations	40	41
Administration	62	58
	<u>107</u>	<u>104</u>

The aggregate payroll costs of these persons were as follows:

	Group	
	Year ended 31 December 2025 £'000	Year ended 31 December 2024 £'000
Wages and salaries	(15,191)	(14,087)
Social security costs	(2,118)	(1,962)
Contributions to defined contribution pension scheme	(959)	(893)
Defined benefit pension scheme service cost	(73)	(211)
	<u>(18,341)</u>	<u>(17,153)</u>

10 Directors' emoluments

	Company	
	Year ended 31 December 2025 £'000	Year ended 31 December 2024 £'000
Directors' emoluments for services to the group	2,648	2,439
Long-term incentive plan	<u>558</u>	<u>407</u>
Total Director's emoluments	<u>3,206</u>	<u>2,846</u>

The emoluments of the highest paid Director, including benefits in kind were £1,328,000 (2024: £1,169,000).

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

10 Directors' emoluments (continued)

The accrued pension contributions paid by the Group in respect of the highest paid Director for the year were £nil (2024: £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

	<i>Note</i>	Group	
		Year ended 31 December 2025 £'000	Year ended 31 December 2024 £'000
Current tax			
UK corporation tax			
- On current period result		(27,471)	(19,386)
- On prior year result		999	6,175
		<u>(26,472)</u>	<u>(13,211)</u>
Deferred tax			
Origination and reversal of temporary differences	18	(3,008)	(2,941)
Adjustment in respect of prior year	18	(1,364)	736
		<u>(4,372)</u>	<u>(2,205)</u>
		<u>(30,844)</u>	<u>(15,416)</u>

Corporation tax has been calculated by reference to the current tax rate of 25.0% (2024: 25.0%).

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 2025 is 25.0% (2024: 25.0%).

The following table reconciles the tax charge which would apply if all profits had been taxed at 25.0% (2024: 25.0%).

	2025 £'000	2024 £'000
Profit before tax	121,314	87,517
Taxation at corporation tax rate of 25.0% (2024: 25.0%)	(30,328)	(21,879)
Prior years adjustment	(365)	6,911
Non-taxable income	-	-
Permanent tax differences	(151)	(620)
Unrecognised tax attribute **	-	172
Income tax charge	<u>(30,844)</u>	<u>(15,416)</u>

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 £1,733,000 recognised in total comprehensive income (2024: £2,989,000 loss).

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

12 Property, plant and equipment

Group	Other assets £'000	Rolling stock and other railway assets £'000	Total £'000
Cost			
Balance at 1 January 2024	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
Additions	6	6,139	6,145
Disposals	-	(163,101)	(163,101)
Balance at 31 December 2025	463	2,827,034	2,827,497
Accumulated depreciation and write-downs			
Balance at 1 January 2024	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
Charge for the period	122	95,403	95,525
Write-down*	-	(25,100)	(25,100)
Disposals	-	(163,101)	(163,101)
Balance at 31 December 2025	409	1,123,422	1,123,831
Carrying value at 31 December 2025	54	1,703,612	1,703,666
Carrying value at 31 December 2024	170	1,767,776	1,767,946

* This relates to the reversal of write-downs recognised in previous periods in relation to rolling stock. The recoverability of the relevant assets has been revised upwards to reflect an improvement in the net present value of the relevant forecast cashflows. Recoverability has been calculated by reference to its value in use, as described in note 3.5 (being the related accounting policy note).

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.

In 2024, following a review of recoverable values the Group wrote-down the net book value of rolling stock by £13,017,000. The write down was included as part of accumulated depreciation. There was no write-down in 2025.

In 2024 the Group's review of the useful economic lives of its rolling stock led to a reduction in the lives of some assets. This resulted in an increase of £2,573,000 in the 2024 depreciation charge shown in the above table. The review in 2025 led to no change in the expected economic lives.

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

13 Right-of-use assets

Group	Other railway assets and land £'000
As at 1 January 2024	6,617
Depreciation charge	(601)
Re-measurement*	550
Write-down**	(101)
Transfer***	(449)
As at 31 December 2024	6,016
Depreciation charge	(512)
Re-measurement*	-
Write-down**	-
Transfer***	-
Balance at 31 December 2025	5,504

*This related 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 was a corresponding adjustment to the lease liabilities (see note 16).

**Following a review of recoverable value, the Group wrote down the net book value of the right-of-use asset by £101,000 in 2024. This reflected the extent to which the net book value exceeded expected recoverable value. The write-down was included as part of accumulated depreciation. There is no write-down in 2025.

***This related to the sub-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 2025 £'000	31 December 2024 £'000
Gross investment in finance leases		
<i>Amounts falling due:</i>		
No later than one year	1,507	1,507
Later than one year and no later than five years	1,893	3,401
Total gross investment in finance leases	3,400	4,908
Unearned finance income	(317)	(636)
Net investment in finance leases less provisions	3,083	4,272
Amortisation of finance lease receivables:		
<i>Amounts falling due:</i>		
No later than one year	1,294	1,190
Later than one year and no later than five years	1,789	3,082
Present value of minimum lease receivables	3,083	4,272
Aggregate finance lease income receivable in the year	320	250

The Group has entered into a finance leasing arrangement for one of its depots. During 2024 this finance lease arrangement was extended to 2028. This extension led to the transfer of £449,000 from right-of-use assets (note 13), together with the remeasurement of a finance lease receivable £4,193,000 (note 4.1).

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 2025

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 2025	31 December 2024
	£'000	£'000
Trade receivables	5,262	7,432
Accrued income	106	6,304
	5,368	13,736

Trade receivables includes £850,000 (2024: £1,239,000) in relation to operating lease rentals and £611,000 (2024: £331,000) in relation to other receivables, for which a 12-month ECL allowance of £604,000 (2024: £452,000) and a lifetime ECL allowance of £372,000 (2024: £nil) are carried. During the year therefore, there has been an increase of £152,000 in the 12-month expected credit loss allowance (year ended 31 December 2024: £125,000 increase) and an increase of £372,000 (year ended 31 December 2024: £nil) in the lifetime ECL. The 12-month ECL allowance reflects a revised rental payment profile.

16 Lease liabilities

Group	Other railway assets - land £'000
As at 1 January 2024	7,123
Interest charge	149
Payments	(768)
Re-measurement*	550
As at 31 December 2024	7,054
Interest charge	155
Payments	(770)
Balance at 31 December 2025	6,439

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

Total lease liabilities can be analysed as follows:

	Group	
	31 December 2025	31 December 2024
	£'000	£'000
Current	631	613
Non-current	5,808	6,441
	6,439	7,054

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

16 Lease liabilities (continued)**Maturity of lease liabilities**

The maturity profile of the Group's undiscounted lease liabilities at 31 December 2025 was as follows:

	Group	
	31 December 2025 £'000	31 December 2024 £'000
Current	<u>769</u>	<u>738</u>
In more than one year but not more than two years	769	769
In more than two years but not more than five years	2,016	2,183
In more than five years	<u>3,430</u>	<u>4,209</u>
Non-current	<u>6,215</u>	<u>7,161</u>
	<u>6,984</u>	<u>7,899</u>

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 2025 £'000	31 December 2024 £'000
Non-current assets			
Fair value – excluding accrued interest	<i>See below</i>	147,796	152,427
Accrued interest	24	<u>3,597</u>	<u>5,200</u>
		<u>151,393</u>	<u>157,627</u>
Non-current liabilities			
Fair value – excluding accrued interest	<i>See below</i>	(219,602)	(222,725)
Accrued interest	24	<u>(6,516)</u>	<u>(8,149)</u>
		<u>(226,118)</u>	<u>(230,874)</u>
Total derivative financial instruments (excluding accrued interest)	<i>See below</i>	<u>(71,806)</u>	<u>(70,298)</u>
Total accrued interest	24	<u>(2,919)</u>	<u>(2,949)</u>

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

17 Derivative financial instruments (continued)

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

31 December 2025	Maturity	Notional amount	Fair value amount	Change in fair value used for calculating hedge ineffectiveness gain/(loss)
		£'000	£'000	£'000
Non-current assets				
Interest rate swap contracts - hedge accounted	December 2036	(100,000)	2,965	(1,244)
Interest rate swap contracts	April 2040	(300,000)	77,671	-
Interest rate swap contracts	July 2045	(243,024)	49,820	-
Interest rate swap contracts - hedge accounted	October 2049	(237,500)	17,340	2,805
		<u>(880,524)</u>	<u>147,796</u>	<u>1,561</u>
Non-current liabilities				
Interest rate swap contracts	June 2040	300,000	(137,144)	-
Interest rate swap contracts	July 2045	243,024	(82,458)	-
		<u>543,024</u>	<u>(219,602)</u>	<u>-</u>
Total derivative financial instruments		<u>(337,500)</u>	<u>(71,806)</u>	<u>1,561</u>
31 December 2024				
	Maturity	Notional amount	Fair value amount	Change in fair value used for calculating hedge ineffectiveness gain/(loss)
		£'000	£'000	£'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
		<u>(882,012)</u>	<u>152,427</u>	<u>10,113</u>
Non-current liabilities				
Interest rate swap contracts	June 2040	300,000	(139,681)	-
Interest rate swap contracts	July 2045	244,512	(83,044)	-
		<u>544,512</u>	<u>(222,725)</u>	<u>-</u>
Total derivative financial instruments		<u>(337,500)</u>	<u>(70,298)</u>	<u>10,113</u>

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

17 Derivative financial instruments (continued)

The fair value of derivative financial instruments at 31 December 2025 is based on market rates at 31 December 2025. The comparative fair values at 31 December 2024 are based on market rates at 31 December 2024.

The notional of derivative financial instruments not designated in hedge relationships offset each other in periods up to 2045. During the year, the forward starting swaps maturing in December 2036 have reached their start date. These hedge variable rate funding costs from 2025 to 2036.

The instruments designated in a hedge relationship 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 2025, includes £3,805,000 (31 December 2024: £4,032,000) in relation to a day one loss arising on the restructure of certain derivatives in 2023. 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 (2024: £228,000) 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 2024	(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
	<u>15,368</u>	<u>1,319</u>	<u>16,687</u>
Unrealised gain through other comprehensive income	-	8,794	8,794
Balance as at 31 December 2024	(89,042)	18,744	(70,298)
Unrealised loss through the Income statement			
- Hedge ineffectiveness	-	(526)	(526)
- Change in fair value of non-hedge accounted derivatives	(3,069)	-	(3,069)
	<u>(3,069)</u>	<u>(526)</u>	<u>(3,595)</u>
Unrealised gain through other comprehensive income	-	2,087	2,087
Balance as at 31 December 2025	(92,111)	20,305	(71,806)

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

17 Derivative financial instruments (continued)

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

Movement in Hedging reserve**Group**

	Interest rate swap contracts		
	Current hedge accounted £'000	Terminated hedge accounted £'000	Total £'000
Balance as at 1 January 2024	(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
Unrealised gain through Other comprehensive income	(2,087)	-	(2,087)
Effective portion of changes in fair value of cash flow hedges	(2,087)	-	(2,087)
Transfer to Income statement	-	(4,663)	(4,663)
Income tax on Other comprehensive income	522	1,165	1,687
Balance as at 31 December 2025	(20,620)	57,384	36,764

17.1 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 £57,834,000 (2024: £60,882,000) 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 2025, the Company held interest rate swaps with a fair value liability of £92,111,000 (2024: £89,042,000) which were not designated in hedging relationships for accounting purposes.

As at 31 December 2025, the Group's hedge accounted swaps were deemed to be highly effective and the fair value asset associated to these interest rate swaps was £20,305,000 (2024: £18,744,000).

Hedge ineffectiveness loss of £526,000 (2024: £1,319,000 gain) 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 £2,087,000 (2024: £8,794,000 loss); and
- Change in the fair value of the interest rate swaps used as a basis of recognising hedge ineffectiveness gain of £1,561,000 (2024: £10,113,000 gain).

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 (2024: £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.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

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	
	31 December 2025	31 December 2024
	£'000	£'000
Deferred tax liabilities	30,644	25,689
Deferred tax assets	<u>(19,360)</u>	<u>(20,510)</u>
	<u>11,284</u>	<u>5,179</u>

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.

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

Group	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	Total £'000's
At 1 January 2024	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
Prior year adjustments	(547)	(143)	(47)	1	-	-	(736)
At 31 December 2024	<u>25,689</u>	<u>(794)</u>	<u>(19,388)</u>	<u>(177)</u>	<u>(47)</u>	<u>(104)</u>	<u>5,179</u>
(Credit)/charge to the Income statement	4,934	-	(1,959)	(22)	-	55	3,008
Charge / (credit) to other comprehensive income	-	-	1,687	46	-	-	1,733
Prior year adjustments through Other comprehensive income	-	-	-	-	-	-	-
Prior year adjustments through profit or loss	21	(231)	1,668	-	10	(104)	1,364
At 31 December 2025	<u>30,644</u>	<u>(1,025)</u>	<u>(17,992)</u>	<u>(153)</u>	<u>(37)</u>	<u>(153)</u>	<u>11,284</u>

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 2025 is 25.0% (2024: 25.0%).

The Group has an unrecognised deferred tax asset of £35,956,000 (2024: £35,956,000) in relation to interest expense disallowed for tax purposes under the CIR rules.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

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 2025	Ownership Percentage 2024
Eversholt Investment Limited	Ordinary Shares	Ireland**	Investment	100	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 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 2024, 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 deposits are analysed as:

	Group	
	31 December 2025 £'000	31 December 2024* £'000
Cash	30,274	29,657
Cash deposits	81,753	119,697
Cash and cash equivalents	112,027	149,354
Short-term deposits with original maturity greater than three months	38,432	283,742
Cash and deposits	150,459	433,096

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

Within cash and cash equivalents there is a deposit of £2,600,000 (2024: £2,600,000) which is restricted as it provides security for the Profit Participating Shares issued by a subsidiary. Cash and cash equivalents of £500,000 (2024: £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 2025

21 Other financial assets

	Group	
	31 December 2025 £'000	31 December 2024 £'000
Investments in money market liquidity funds at the beginning of the period	3,618	3,501
Change in fair value (note 6)	154	117
Investments in money market liquidity funds at end of the period	<u>3,772</u>	<u>3,618</u>

There have been no additions or disposals during 2025.

22 Trade and other payables

	Group	
	31 December 2025 £'000	31 December 2024 £'000
Trade and other payables	5,067	4,054
Maintenance and administrative accruals	13,663	14,160
Other payables	5,522	5,740
Other accruals	242	250
Trade and other payables excluding Lease rentals received in advance	<u>24,494</u>	24,204
Lease rentals received in advance	<u>21,761</u>	24,212
	<u>46,255</u>	<u>48,416</u>

23 Borrowings

	Group	
	31 December 2025 £'000	31 December 2024 £'000
Current		
Interest accrued	14,092	16,119
Bonds	87,212	322,061
Transaction costs	(396)	(476)
	<u>100,908</u>	<u>337,704</u>
Non-current		
Bonds	1,371,011	1,455,232
Transaction costs	(3,765)	(4,163)
Profit Participating Shares	2,500	2,500
	<u>1,369,746</u>	<u>1,453,569</u>
Total borrowings	<u>1,470,654</u>	<u>1,791,273</u>

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 2025 and 2024.

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 2025

23 Borrowings (continued)

Bond principal amount	Interest rate Semi-annual coupon	Due date
£nil*	6.359%	2025
£271m**	6.698%	2026-2035
£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
£372m***	2.742%	2026-2040

None of the Bonds are puttable.

*£267,849,000 (2024: £3,500,000) of the bond was repaid in 2025.

**£28,571,000 (2024: £28,571,000) of the bond was repaid in 2025.

***£25,641,000 (2024: £25,641,000) of the bond was repaid in 2025.

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 2025 £’000	31 December 2024 £’000
In more than one year but not more than two years	54,212	87,212
In more than two years but not more than five years	335,137	226,387
In more than five years	984,162	1,144,133
Transaction costs	(3,765)	(4,163)
	<u>1,369,746</u>	<u>1,453,569</u>

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

24 Reconciliation of assets and liabilities arising from financing activities

31 December 2025	Group			As at 31 December 2025 £'000
	As at 31 December 2024 £'000	Cash flow payments £'000	Non-cash finance expense £'000	
Liabilities				
Bond interest accrued	16,013	(79,212)	77,222	14,023
Swap interest accrued	2,949	(8,963)	8,933	2,919
Profit Participating Share dividends	106	(321)	285	70
Bonds	1,777,293	(322,062)	2,991	1,458,222
Profit Participating Shares	2,500	-	-	2,500
	<u>1,798,861</u>	<u>(410,558)</u>	<u>89,431</u>	<u>1,477,734</u>
Assets				
Capitalised transaction costs	(4,639)	-	478	(4,161)

31 December 2024	Group			As at 31 December 2024 £'000
	As at 31 December 2023 £'000	Cash flow payments £'000	Non-cash finance expense £'000	
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
	<u>1,854,419</u>	<u>(151,297)</u>	<u>95,739</u>	<u>1,798,861</u>
Assets				
Capitalised transaction costs	(5,127)	-	488	(4,639)

Information on leases are shown in note 16.

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 2025 £'000	31 December 2024 £'000
Current	12,119	14,874
Non-current	314,525	278,725
	<u>326,644</u>	<u>293,599</u>

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

26 Provisions

	Group	
	31 December 2025	31 December 2024
	£'000	£'000
Non-current - other	6,215	6,215

27 Share capital

	Company	
	31 December 2025	31 December 2024
	£	£
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.

28 Capital commitments

In respect of rolling stock capital expenditure:

	Group	
	31 December 2025	31 December 2024
	£'000	£'000
Authorised and contracted	20,545	29,098

The above represents all capital commitments.

29 Dividends

During the financial year the Company received dividends of £200,000,000 from Eversholt Investment Limited (2024: £60,000,000) and paid dividends of £200,000,000 to Eversholt UK Rails Limited (2024: £60,000,000).

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

30 Financial instruments

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

Group	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
31 December 2025		£'000	£'000	£'000	£'000
Financial assets					
Fair value through profit or loss					
- Other financial assets	21	3,772	3,772		
- Derivative financial instruments	17	151,393		151,393	
Amortised cost					
- Finance lease receivables	14	3,083		3,083	
- Trade and other receivables	15	5,368		5,368	
- Cash and cash equivalents	20	112,027		112,027	
- Short-term deposits with original maturity greater than three months	20	<u>38,432</u>		38,432	
Total financial assets		<u>314,075</u>			
Financial liabilities					
Fair value through profit or loss					
- Derivative financial instruments	17	226,118		226,118	
Amortised cost					
- Publicly traded bonds	23	1,018,224	923,005		
- Fixed rate borrowings	23	340,000		326,184	
- Other borrowings	23	116,591		116,591	
- Trade and other payables excluding Lease rentals received in advance	22	<u>24,494</u>		24,494	
Total financial liabilities		<u>1,725,427</u>			
Total financial instruments		<u>(1,411,352)</u>			
31 December 2024*					
Group	Note	Carrying amount	Level 1	Level 2	Level 3
		£'000	£'000	£'000	£'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 equivalents	20	149,354		149,354	
- Short-term deposits with original maturity greater than three months	20	<u>283,742</u>		283,742	
Total financial assets		<u>612,349</u>			
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 excluding Lease rentals received in advance	22	<u>24,204</u>		24,204	
Total financial liabilities		<u>2,050,990</u>			
Total financial instruments		<u>(1,438,641)</u>			

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

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 2, based on the degree to which the fair value is observable. Level 2 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 2025 £'000	31 December 2024 £'000
Total financial liabilities as per above	1,725,427	2,050,990
Derivative financial instruments	(226,118)	(230,874)
Capitalised transaction costs	(4,161)	(4,639)
Trade and other payables excluding Lease rentals received in advance	(24,494)	(24,204)
Borrowings per note 23	1,470,654	1,791,273

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 2025 (16.30% for the year ended 31 December 2024).

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.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

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 2025	31 December 2024
Active members		
Number	10	11
Number with Protected Rights Pension ("PRP") included	6	7
Annual payroll (£'000)	994	1,000
PRP include (£'000)	-	-
Average age	55.0	53.8
Deferred members		
Number	35	36
Total deferred pensions (£'000)	255	252
Average age	59.0	58.0
Pensioner members (including dependants)		
Number	64	64
Estimated annual pension payroll (£'000)	1,734	2,000
Average age	72.0	71.0

31.3 Summary of assumptions

	Group	
	31 December 2025	31 December 2024
	%pa	%pa
Discount rate	5.50	5.45
Price inflation (RPI measure)	2.95	3.30
Increases to deferred pensions (CPI measure)	2.60	2.95
Pension increases (CPI measure)	2.95	3.30
Salary increases plus 0.4% pa promotional salary scale	2.60	2.95

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

	Group	
	31 December 2025	31 December 2024
Male currently age 65	22.4	22.0
Male currently age 45	24.0	23.5
Female currently age 65	23.5	23.3
Female currently age 45	25.3	25.1

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

31 Retirement benefit scheme (continued)

31.4 Defined benefit liability at end of year

	Group	
	Year ended 31 December 2025 £'000	Year ended 31 December 2024 £'000
Active members	7,648	7,241
Deferred members	7,392	7,202
Pensioner members (incl. dependants)	20,320	21,612
Total DBO	<u>35,360</u>	<u>36,055</u>
Value of assets at end of year	(34,336)	(34,871)
Unadjusted net defined benefit liability	1,024	1,184
Adjustment for the members' share of deficit	(410)	(474)
Net defined benefit liability at end of the year	<u>614</u>	<u>710</u>

The Company has recognised a pension liability of £614,000 (2024: liability of £710,000).

31.5 Reconciliation of net defined benefit liability

	Group	
	Year ended 31 December 2025 £'000	Year ended 31 December 2024 £'000
Opening net defined benefit liability/(asset)	710	(676)
Employer's share of pension expense	233	178
Employer contributions	(144)	(157)
Total (gain)/loss recognised in Statement of comprehensive income	<u>(185)</u>	<u>1,365</u>
Closing net defined benefit liability	<u>614</u>	<u>710</u>

31.6 Pension expense

	Group	
	Year ended 31 December 2025 £'000	Year ended 31 December 2024 £'000
Employer's share of service cost	164	181
Employer's share of administration costs	33	30
Total employer's share of service cost	<u>197</u>	<u>211</u>
Employer's share of net interest on net defined benefit liability/(asset)	36	(33)
Employer's share of pension expense	<u>233</u>	<u>178</u>

31.7 Other comprehensive income

	Group	
	Year ended 31 December 2025 £'000	Year ended 31 December 2024 £'000
Loss/(gain) due to liability experience	112	(82)
Gain due to liability assumption changes	(708)	(1,931)
Return on plan assets less than discount rate	411	3,378
Total (gain)/loss recognised in Statement of comprehensive income	<u>(185)</u>	<u>1,365</u>

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

31 Retirement benefit scheme (continued)

31.8 Reconciliation of DBO

	Group	
	Year ended 31 December 2025 £'000	Year ended 31 December 2024 £'000
Opening DBO	36,055	39,126
Service Cost	271	300
Interest Cost on DBO	1,914	1,722
Loss/(gain) on DBO - experience	179	(154)
Loss/(gain) on DBO - demographic assumptions	146	(79)
Gain on DBO – financial assumptions	(1,327)	(3,140)
Actual benefit payments	(1,878)	(1,720)
Closing DBO	35,360	36,055

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

Time period	Group Expected payments £'000
5 years to December 2030	11,100
5 years to December 2035	12,100
5 years to December 2040	12,100
5 years to December 2045	10,900
After 1 January 2046	26,600

31.9 Reconciliation of value of assets

	Group	
	Year ended 31 December 2025 £'000	Year ended 31 December 2024 £'000
Opening value of Section assets	34,871	40,253
Interest income on assets	1,854	1,777
Return on plan assets less than discount rate	(686)	(5,631)
Employer contributions	144	157
Employee contributions	86	86
Actual benefit payments	(1,878)	(1,720)
Administration costs	(55)	(51)
Closing value of Section assets	34,336	34,871

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.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

31 Retirement benefit scheme (continued)

31.9 Reconciliation of value of assets (continued)

The assets comprised the following:

	Group	
	Value at 31 December 2025 £'000	Value at 31 December 2024 £'000
Section Assets		
Growth assets	10,551	11,197
Government bonds	12,532	12,425
Non-government bonds	8,733	8,201
Other assets	2,520	3,048
	34,336	34,871

31.10 DBO sensitivity analysis to significant actuarial assumptions

	Group	
	Sensitivity	Approximate increase in DBO £'000
Year ended 31 December 2025		
Discount rate	-0.25% p.a.	1,000
Price inflation (CPI measure) *	+0.25% p.a.	1,000
Salary increases	+0.25% p.a.	100
Life expectancy	+1 year	1,000

	Group	
	Sensitivity	Approximate increase in DBO £'000
Year ended 31 December 2024		
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

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

The sensitivity figures above are as at 31 December 2025 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. Employee contributions for the following period reflect a rate of 16.3% of Section Pay. This rate is expected to continue until 30 June 2027.

The discounted mean term of the Section's liabilities is 12 years. Employer contributions for 2025 were £144,000 (2024: £157,000).

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

31 Retirement benefit scheme (continued)

31.11 Other

The Company 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, including awareness of the UK Government's intention announced in June 2025 to introduce legislation to allow schemes to retrospectively obtain actuarial confirmation of historical benefit changes, if necessary. Following the Court of Appeal's decision to uphold the ruling of the High Court against Virgin Media, the Company 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 Company. The Company 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

32 Risk management (continued)

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.

32.3 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).

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

32 Risk management (continued)

32.3 Credit risk management (continued)

Credit Risk Exposure (continued)

The Group's principal exposure to credit risk as at 31 December 2025 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.

Except for exposures where lifetime ECL are carried, 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 2025 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 £604,000 is required at 31 December 2025 (2024: £360,000).

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 daily 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. Of the facility £405,000,000 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.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

32 Risk management (continued)**32.4 Liquidity risk management (continued)**

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 2025						
Financial assets						
Fair value through profit or loss						
- Other financial assets	3,772	3,772	3,772	-	-	-
- Derivative financial instruments	151,393	281,345	-	50,121	37,785	193,439
Amortised cost						
- Finance lease receivables	3,083	3,400	-	1,507	1,893	-
- Trade and other receivables	5,368	5,368	-	5,368	-	-
- Cash and cash equivalents	112,027	112,027	30,274	81,753	-	-
- Short-term deposits with original maturity greater than three months	38,432	38,432	-	38,432	-	-
	<u>314,075</u>	<u>444,344</u>	<u>34,046</u>	<u>177,181</u>	<u>39,678</u>	<u>193,439</u>
Financial liabilities						
Fair value through profit or loss						
- Derivative financial instruments	226,118	413,088	-	90,302	73,639	249,147
Amortised cost						
- Trade and other payables excluding Lease rentals received in advance	24,494	24,494	-	24,494	-	-
- Borrowings	1,474,815	2,713,223	-	146,430	595,966	1,970,827
	<u>1,725,427</u>	<u>3,150,805</u>	<u>-</u>	<u>261,226</u>	<u>669,605</u>	<u>2,219,974</u>
Total financial instruments	<u>(1,411,352)</u>	<u>(2,706,461)</u>	<u>34,046</u>	<u>(84,045)</u>	<u>(629,927)</u>	<u>(2,026,535)</u>
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	149,354	149,354	29,657	119,697	-	-
- Short-term deposits with original maturity greater than three months	283,742	283,742	-	283,742	-	-
	<u>612,349</u>	<u>720,756</u>	<u>33,275</u>	<u>459,196</u>	<u>49,216</u>	<u>179,069</u>
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 excluding Lease rentals received in advance	24,204	24,204	-	24,204	-	-
- Borrowings	1,795,912	2,887,902	-	401,611	534,867	1,951,424
	<u>2,050,990</u>	<u>3,314,682</u>	<u>-</u>	<u>497,330</u>	<u>615,554</u>	<u>2,201,798</u>
Total financial instruments	<u>(1,438,641)</u>	<u>(2,593,926)</u>	<u>33,275</u>	<u>(38,134)</u>	<u>(566,338)</u>	<u>(2,022,729)</u>

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

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

32 Risk management (continued)**32.4 Liquidity risk management (continued)**

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

	Group	
	31 December 2025 £'000	31 December 2024 £'000
Borrowings as per above	1,474,815	1,795,912
Less: transaction costs	(4,161)	(4,639)
Borrowings per note 23	<u>1,470,654</u>	<u>1,791,273</u>

	Group	
	2025 £'000	2024 £'000
Fixed rate instruments		
Financial assets	123,268	407,711
Financial liability	(1,358,224)	(1,677,294)
	<u>(1,234,956)</u>	<u>(1,269,583)</u>
Variable rate instruments		
Financial liability	<u>(102,500)</u>	<u>(102,500)</u>

32.5 Market risk management**32.5.1 Foreign exchange risk**

There is no exposure at 31 December 2025 or 2024.

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 2025, after adjusting for the effect of derivative financial instruments detailed in note 17, approximately 100 per cent (2024: 94 per cent) of £1,458,222,000 (2024: £1,777,293,000) 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 £499,000 (2024: £500,000 increase based on SONIA), an increase interest received on cash amounts of £1,139,000 (2024: £1,839,000 based on SONIA), and an increase in dividend payable on profit participating preference shares of £13,000 (2024: £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 £7,555,000 (2024: £8,141,000 gain based on SONIA) in derivative financial instruments.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

32 Risk management (continued)

32.5 Market risk management (continued)

32.5.4 Approach to hedging

Consistent with prior years, the Group uses interest rate swaps to manage its interest rate risk.

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 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:

	31 December	
	2025	2024
	£'000	£'000
Within one year	313,250	272,283
1-2 years	251,285	217,756
2-3 years	132,643	192,910
3-4 years	113,485	72,431
4-5 years	98,622	40,027
Over 5 years	386,380	204,720
	1,295,665	1,000,127
Aggregate operating lease rentals receivable in the period	313,291	301,302

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 (2024: £145,000), which is included in the rentals receivable shown above.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

34 Related-party transactions

34.1 Identity of related parties

This note should be read in conjunction with the subsequent events note 36.

During the years ended 31 December 2025 and 2024, the Company has had a related party relationship with its Directors (refer to page 10) and with its fellow group undertakings of the Group, namely:

- Eversholt UK Rails Group Limited
- Eversholt UK Rails Limited
- Eversholt Rail Funding plc
- European Rail Finance Limited
- Eversholt Rail Leasing Limited
- Eversholt Investment Limited
- Eversholt Rail Limited
- Eversholt Depot Finance Limited
- European Rail Finance (2) Limited

Accordingly, during these periods:

- the Directors of the Company considered the ultimate parent and controlling party to be Eversholt UK Rails Group Limited, incorporated in the UK.
- the parent undertaking of the largest group of undertakings for which Group financial statements are drawn up and which the Company was a member of, was Eversholt UK Rails Group Limited.
- the parent undertaking of the smallest group of undertakings for which Group financial statements were drawn up and which the Company was a member of, is Eversholt UK Rails (Holding) Limited.

Copies of the consolidated financial statements of Eversholt UK Rails (Holding) Limited may be obtained from the following registered address:

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

Copies of the consolidated financial statements of Eversholt UK Rails Group Limited may also be obtained from this address:

7th Floor
3 More London Riverside
London
SE1 2AQ

34.2 Transactions with related parties

The Group received a management fee of £58,000 (2024: £67,000) from Eversholt UK Rails Limited during the year.

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

Directors' emoluments are disclosed in note 10.

Notes to the consolidated annual financial statements (continued)

for the year ended 31 December 2025

35 Contingent liabilities

There were no contingent liabilities for the Group at 31 December 2025 (2024: £nil).

36 Events after the end of the financial year

On 20 January 2026, Beacon Rail Falcon Limited acquired 100% of the issued share capital of Eversholt UK Rails Limited. Beacon Rail Falcon Limited is a UK incorporated company and is an indirect subsidiary of Beacon Rail Lux Holdings S.à r.l., a Luxembourg domiciled holding company of Beacon Rail Group and whose ultimate parent and controlling party is IIF Holding GP LLC.

With effect from 20 January 2026:

- the Directors consider that IIF Int'l Holding GP LLC replaces Eversholt UK Rails Group Limited as the ultimate parent and controlling parent of the Company; and
- Eversholt UK Rails Group Limited is no longer a related party of the Company

Eversholt UK Rails Limited continues to be a holding company of Eversholt UK Rails (Holding) Limited and was a direct subsidiary of EUKRGL prior to the change in ownership.

Company statement of financial position

as at 31 December 2025

	<i>Note</i>	As at 31 December 2025 £'000	As at 31 December 2024 £'000
Assets			
Non-current assets			
Investment in subsidiaries	6	1,104,559	1,104,559
Amounts owed by group undertakings	7	64	67
Deferred tax	9	37	47
		<u>1,104,660</u>	<u>1,104,673</u>
Current assets			
Trade and other receivables		16	-
Cash and cash equivalents	10	2,702	2,672
		<u>2,718</u>	<u>2,672</u>
Total assets		<u>1,107,378</u>	<u>1,107,345</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	11	31	25
Current tax		10	15
		<u>41</u>	<u>40</u>
Total liabilities		<u>41</u>	<u>40</u>
Equity			
Share capital	12	-	-
Retained earnings		1,107,337	1,107,305
Total equity		<u>1,107,337</u>	<u>1,107,305</u>
Total equity and liabilities		<u>1,107,378</u>	<u>1,107,345</u>

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 £200,032,000 (2024: £60,047,000) attributable to equity shareholders during the year. Total comprehensive income for 2024 and 2025 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 22 April 2026 and were signed on its behalf by:



A L Cunliffe
Director

Company registration number: 10783654

Company statement of cash flows

for the year ended 31 December 2025

	<i>Note</i>	Year ended 31 December 2025 £'000	Year ended 31 December 2024 £'000
Cash flow from operating activities			
Profit before tax		200,042	60,062
Adjustments for:			
- Dividend income		(200,000)	(60,000)
- Finance income	8	(2)	(4)
Operating cash flow before changes in working capital		<u>40</u>	<u>58</u>
Increase in trade and other receivables		(16)	-
Increase/(decrease) in trade and other payables		6	(46)
Cash flow generated by / (utilised in) operating activities		<u>30</u>	<u>12</u>
Taxation paid		(5)	-
Net cash generated by operating activities		<u>25</u>	<u>12</u>
Cash flow from investing activities			
Movement in intercompany loan with Eversholt Rail Limited	8	5	35
Dividends received		200,000	60,000
Net cash generated by investing activities		<u>200,005</u>	<u>60,035</u>
Cash flow from financing activities			
Shareholder dividends paid		(200,000)	(60,000)
Net cash utilised in financing activities		<u>(200,000)</u>	<u>(60,000)</u>
Net movement in cash and cash equivalents		<u>30</u>	<u>47</u>
Cash and cash equivalents at the beginning of the year		<u>2,672</u>	<u>2,625</u>
Cash and cash equivalents at the end of the financial year	10	<u>2,702</u>	<u>2,672</u>

Company statement of changes in equity

for the year ended 31 December 2025

	Share capital £'000	Share Premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2024	-	-	1,107,258	1,107,258
Total comprehensive income	-	-	60,047	60,047
Dividends paid	-	-	(60,000)	(60,000)
Balance at 31 December 2024	<u>-</u>	<u>-</u>	<u>1,107,305</u>	<u>1,107,305</u>
Total comprehensive income	-	-	200,032	200,032
Dividend paid	-	-	(200,000)	(200,000)
Balance at 31 December 2025	<u>-</u>	<u>-</u>	<u>1,107,337</u>	<u>1,107,337</u>

Dividends of £1,941,748 per share were paid during the year (2024: £582,524 per share).

Notes to the annual financial statements

for the year ended 31 December 2025

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 IFRS Accounting Standards

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 IFRS Accounting Standards, 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 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 2025, there were no unendorsed standards effective for the year ended 31 December 2025 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.

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.

2.2 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 the Group's forecasts and projections, together with the debt maturing in 2026 and 2027; current financial resources including cash of £112.0m (2024: £149.4m), short-term deposits of £38.4m (2024: £283.7m), investment in financial assets of £3.8m (2024: £3.6m) and undrawn committed borrowing facilities of £450.0m as at 31 December 2025 (2024: £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 have also considered the forecasts, projections and financing facilities available to Beacon Rail Lux S.à r.l and its subsidiaries and expect the Company to continue its operations.

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.

Notes to the annual financial statements (continued)

for the year ended 31 December 2025

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 2025 £’000	31 December 2024 £’000
Long term growth assumption in underlying subsidiary’s business		
0.5% increase	199,000	194,000
0.5% decrease	(161,000)	(156,000)
Discount rate*:		
0.3% (2024: 0.3%) increase	(254,000)	(190,000)
0.3% (2024: 0.3%) reduction	297,000	218,000

* 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 £200,032,000 (2024: £60,047,000 profit) attributable to equity shareholders during the year. The Company paid a dividend of £200,000,000 (2024: £60,000,000), equivalent to £1,941,748 per share (2024: £582,524 per share).

The Company received a dividend of £200,000,000 (2024: £60,000,000) from Eversholt Investment Limited.

Notes to the annual financial statements (continued)

for the year ended 31 December 2025

5 Directors' emoluments

Non-executive directors	Company	
	31 December 2025 £'000	31 December 2024 £'000
Directors' fees	<u>(15)</u>	<u>(15)</u>

6 Investments in subsidiaries

Investment in Eversholt Investment Limited at cost	Company £'000
Balance at 1 January 2024	1,104,559
Additions	-
Balance at 31 December 2024	<u>1,104,559</u>
Additions	-
Balance at 31 December 2025	<u>1,104,559</u>

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

7 Amounts owed by group undertakings

Non-current assets	Company	
	31 December 2025 £'000	31 December 2024 £'000
Eversholt Rail Limited	<u>64</u>	<u>67</u>

The intercompany loan with Eversholt Rail Limited is repayable as follows: £58,000 repayable in November 2029 and £6,000 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.

Notes to the annual financial statements (continued)

for the year ended 31 December 2025

8 Reconciliation of assets arising from investing activities

31 December 2025	Company			
	As at 31 December 2024 £'000	Cash flows (payments) / receipts £'000	Non-cash finance expense / (income) £'000	As at 31 December 2025 £'000
Financing activities attributable to:				
Assets				
Eversholt Rail Limited	<u>(67)</u>	<u>5</u>	<u>(2)</u>	<u>(64)</u>

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

9 Deferred tax

The following is the analysis of the deferred tax asset:

Company	Tax losses £'000
Balance at 1 January 2024	<u>47</u>
Balance at 31 December 2024	<u>47</u>
Prior year adjustment	<u>(10)</u>
At 31 December 2025	<u>37</u>

10 Cash and cash equivalents

Cash and cash equivalents are analysed as:

	Company	
	31 December 2025 £'000	31 December 2024 £'000
Cash	<u>2,702</u>	<u>2,672</u>

Cash and cash equivalents includes a deposit of £2,600,000 (2024: £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 2025 £'000	31 December 2024 £'000
Accruals	<u>31</u>	<u>25</u>

Notes to the annual financial statements (continued)

for the year ended 31 December 2025

12 Share capital

	Company	
	31 December 2025	31 December 2024
	£	£
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.

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.

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 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;

Notes to the annual financial statements (continued)

for the year ended 31 December 2025

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:

Notes to the annual financial statements (continued)

for the year ended 31 December 2025

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 2025						
Financial assets						
Amortised cost						
Amounts owed by Eversholt Rail Limited	64	64	-	-	64	-
Cash and cash equivalents	2,702	2,702	2,702	-	-	-
	<u>2,766</u>	<u>2,766</u>	<u>2,702</u>	<u>-</u>	<u>64</u>	<u>-</u>
Financial liabilities						
Amortised cost						
Trade and other payables	31	31	-	31	-	-
	<u>31</u>	<u>31</u>	<u>-</u>	<u>31</u>	<u>-</u>	<u>-</u>
Total financial instruments	<u>2,735</u>	<u>2,735</u>	<u>2,702</u>	<u>(31)</u>	<u>64</u>	<u>-</u>

	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	-	-	-
	<u>2,739</u>	<u>2,739</u>	<u>2,672</u>	<u>-</u>	<u>67</u>	<u>-</u>
Financial liabilities						
Amortised cost						
Trade and other payables	25	25	-	25	-	-
	<u>25</u>	<u>25</u>	<u>-</u>	<u>25</u>	<u>-</u>	<u>-</u>
Total financial instruments	<u>2,714</u>	<u>2,714</u>	<u>2,672</u>	<u>(25)</u>	<u>67</u>	<u>-</u>

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 2025 and 31 December 2024. Financial assets and liabilities for which valuation categorisation is required, fall within level 2.

15 Related-party transactions

The Company earned £66,000 (2024: £66,000) from Eversholt Rail Limited for consultancy services. The Company incurred a charge of £29,000 (2024: £37,000) 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 2025 (2024: £nil).

Notes to the annual financial statements (continued)

for the year ended 31 December 2025

17 Events after the end of the financial year

On 20 January 2026, Beacon Rail Falcon Limited acquired 100% of the issued share capital of Eversholt UK Rails Limited. Beacon Rail Falcon Limited is a UK incorporated company and is an indirect subsidiary of Beacon Rail Lux Holdings S.à r.l., a Luxembourg domiciled holding company of Beacon Rail Group and whose ultimate parent and controlling party is IIF Holding GP LLC.

With effect from 20 January 2026:

- the Directors consider that IIF Int'l Holding GP LLC replaces Eversholt UK Rails Group Limited as the ultimate parent and controlling parent of the Company; and
- Eversholt UK Rails Group Limited is no longer a related party of the Company

Eversholt UK Rails Limited continues to be a holding company of Eversholt UK Rails (Holding) Limited and was a direct subsidiary of EUKRGL prior to the change in ownership.