

Registered number: 03038418

Unipart Rail Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2021

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Unipart Rail Limited

Company Information

Directors	D P Leigh N D P McNicholas J M Neill C J Weldon
Company Secretary	T Russell
Registered number	03038418
Registered office	Unipart House Cowley Oxford OX4 2PG
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Donington Court Pegasus Business Park Castle Donington East Midlands DE74 2UZ

Unipart Rail Limited

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Unipart Rail Limited

Strategic Report

For the Year Ended 31 December 2021

Business review and future developments

Unipart Rail Limited ("the Company") is engaged in the provision of a materials management and logistics service for spare parts for traction and rolling stock and infrastructure within the rail industry. The Company also provides overhaul services for a variety of products and supplies and manufactures electrical engineering equipment for road and rail industries.

The directors are satisfied with the underlying trading performance and position of the Company for the reporting period. The outlook and focus for the Company is dominated by the continued implications of Covid-19. The directors are closely monitoring the continuing economic implications of Covid-19 across the globe and the impact that will have on the Company's trading performance for the coming year. The directors have undertaken a review of the potential impacts that Coronavirus will have on the Company in 2022, further details of which are reported in the Directors' Report, and the directors are confident that they have a robust business plan that can withstand the economic challenges that may result from the pandemic.

Unipart Rail Limited, its subsidiaries, joint ventures and associated undertakings (the "Group") is a wholly owned member of the Unipart Group of Companies, its subsidiaries, joint ventures and associated undertakings (the "Ultimate Group"). The strategic objectives of the Company and the Group are aligned with those of the Ultimate Group. Further details on the strategy and performance of the Ultimate Group, including key performance indicators, can be found in the Chairman's Statement, the Strategic and Operating Review and the Financial Review in the 2021 Annual Report of Unipart Group of Companies Limited, which does not form part of this report.

Principal risks and uncertainties

From the perspective of the Company and the Group, the principal risks and uncertainties are integrated within the principal risks of the Ultimate Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Ultimate Group, which included those of the Company and the Group, are discussed in the Financial Review in the 2021 Annual Report of Unipart Group of Companies Limited, which does not form part of this report.

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effect of price risk, credit risk and cash flow risk. The main risk is the purchase price of products, which is managed by a mixture of contract length and short term procurement actions. Significant contracts are approved by the Board. The liquidity and interest rate risk of the Company and the Group are managed centrally by the Ultimate Group's treasury department. Details of the Group's financial instruments are disclosed in note 19.

Stakeholder engagement

The directors set out their section 172(1) statement in accordance with the Companies Act 2006 in relation to stakeholder engagement for the year ended 31 December 2021.

The Board recognises that the long-term success of both the Group and the Ultimate Group is strongly correlated to a positive interaction with all of its stakeholders. Effective engagement allows the Board to understand relevant stakeholder views on material issues which may impact the business and helps to inform the Board's decision making. Stakeholder engagement is ultimately managed and owned by the directors of the Ultimate Group, but takes place at all levels within the organisation.

Stakeholder engagement (continued)

At the heart of our engagement is The Unipart Way, our Group philosophy, which is led from the boardroom. Principle 4 of The Unipart Way, 'We manage with a long term view', guides the Board's thinking, encouraging the adoption of strategic initiatives, rather than short term gains. This includes the directors' engagement with each of its stakeholders.

The Ultimate Group's latest Corporate Responsibility Strategy is published on our website and sets out how the Group plans to engage with its customers, suppliers, people and communities in a mutually sustainable manner. We always aim to act fairly across all our stakeholders and create a longstanding reputation as a Group where people want to work, customers want to give us their business and suppliers want to provide us their services, whilst at the same time ensuring the Group maintains the highest levels of ethical standards and support for its community and environment.

This report identifies some of our key stakeholders and explains how our businesses interact with them in order to promote the success of the Group and Ultimate Group for the stakeholders as a whole.

Employees

Our employees are critical to the delivery of our strategy and the future growth of the business. The directors empower each colleague throughout the business, encouraging each to solve problems at their own level. Through a wide range of training and development programmes, such as the Gate to Great journeys, we are able to develop our people so that we can promote from within and provide long term and fulfilled careers across the Group and Ultimate Group.

The Mark In Action award ceremonies are held six times each year, even during the pandemic when they were held online, and celebrate our employees who have demonstrated outstanding customer service. Each and every one of these events have been led and presented by the Group Chief Executive for more than 30 years, with over 3,400 awards presented to date.

The directors also engage with employees in a number of formal and informal ways, including Management Brief newsletters, our in-house news programme, Grapevine which is available online, and the bi-annual Leadership Conference led by the Chairman and Group Chief Executive. In addition, the directors meet sector specific operating committees on a regular basis, and will frequently take the opportunity to engage with the employees on site visits. The Chairman and Group Chief Executive has hosted a series of digital philosophy courses, which all employees have been invited to attend.

Employee engagement is a key metric for the Group and the results from the annual employee engagement survey are fed back to the Group Leadership Team and the Board of the Ultimate Group. The directors have supported the group-wide employee wellbeing strategy, Unipart Lifeworks, which amongst other features provides free support to employees for personal health, financial and counselling matters.

Customers

The Board of Directors support our business by engaging with our future, new and existing customers. We strive to develop enduring partnerships with our customers and drive continuous improvement and innovation into our operations to drive long term relationships across each of our businesses. To achieve this, the directors take time to understand the real and perceived needs of our customers, which they do through actively maintaining close relationships and engaging in regular customer surveys and feedback programmes. Continuous improvement is at the heart of our operations, driving out waste and improving efficiencies for our customers.

Suppliers

The core of the Group and Ultimate Group's business is managing complex supply chain solutions for our customers and therefore it is essential to work with our suppliers in an ethical manner. We engage closely with suppliers, because we rely on them to provide us with products and services which meet our stringent quality and performance requirements, which in turn allows us to fulfil our commitments to our customers. This engagement will be at an operational level on a day-to-day basis to ensure that our expectations are met from a quality and delivery perspective or at director level in relation for more strategic discussions. The Group and Ultimate Group has instilled a culture of ensuring we pay suppliers in line with commercially agreed payment terms.

Long-term agreements are entered into with key suppliers where appropriate and performance targets are regularly agreed with suppliers to align with our drive for continuous improvement. We have strong codes of conduct in relation to Anti-Bribery and Corruption, Competition Law, Human Trafficking and Modern Slavery and Criminal Finances legislation, this zero-tolerance culture being driven by the Board of Directors.

Shareholders and Pension Trustees

The Ultimate Group's largest shareholder is UGC Pension Funding LP, a Limited Partnership whose shareholdings are beneficially held on behalf of the Group's main defined benefit pension schemes. As such the directors are actively involved in Pension Trustee meetings, with a number holding positions as Employer Nominated Trustees on the independent Trustee Boards. In addition, the Group Chief Financial Officer will regularly update the Trustee Boards on the Ultimate Group's performance and future projections.

A large proportion of the remaining shareholders of the Ultimate Group are existing, former or retired employees who receive updates from the directors through the employee communications referred to earlier. The key formal interaction with shareholders is through the Annual Report & Accounts, which is distributed to all shareholders with a letter from the Chairman & Group Chief Executive. Any questions are invited to be made to the Company Secretary of Unipart Group of Companies Limited.

Our community and the environment

We recognise that each of our businesses has an important role to play in its local community. We also acknowledge the impact of our business on the wider society. The Ultimate Group, led by the directors, has been actively engaged with its community and publishes its Corporate Responsibility Statement on the website. The Board is very proud of its success in achieving a variety of community and environmental awards, some of which are referred to in the Chairman's Statement and the Strategic and Operating Review in the 2021 Annual Report of Unipart Group of Companies Limited, but we continue to seek out new ways to engage with our local communities and improve our environmental credentials. The Group is committed to reducing its carbon footprint and during 2021 signed up to the UN Race to Zero Campaign. These matters are regularly discussed by the directors at the Ultimate Group Board and Group Leadership Team meetings.

Regulatory bodies

The Group and Ultimate Group aims to maintain the highest standards of conduct with each of the regulatory bodies that it engages with. It does not adopt aggressive policies aimed to maximise short term returns, instead the directors support a principled and moral way of doing business. We publish a number of our policies on our website including our zero tolerance to ethical matters such as bribery and corruption, along with maintaining transparent and fair policies with each of our stakeholders such as those reported in the Group Tax Strategy and Gender Pay Report. We maintain a regular dialogue with government bodies and regulators, and actively participate in various industry working groups and trade representative bodies. This enables us to engage in discussions regarding future policy development and planned regulatory changes, and to identify potential opportunities and risks for the business.

Financial key performance indicators ("KPIs")

There are no other KPIs, apart from the pre tax profit and net assets, which are disclosed in the financial statements and as such further analysis is not required for an understanding of the development, performance or position of the business.

This report was approved by the Board of Directors and signed on its behalf by:



C J Weldon
Director

20 July 2022

Unipart Rail Limited

Directors' Report

For the Year Ended 31 December 2021

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2021.

Statement of directors' responsibilities in respect of the financial statements

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

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

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

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

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

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

Statement of disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Results for the year

The results for the year are set out in the Consolidated Profit and Loss Account on page 13.

The directors do not propose the payment of a dividend (2020: £nil).

Unipart Rail Limited

Directors' Report

For the Year Ended 31 December 2021

Directors

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

T G Johnstone (resigned 13 August 2021)
D P Leigh
N D P McNicholas (appointed 22 July 2021)
J M Neill
C N Walker (resigned 8 June 2021)
C J Weldon

There was no contract subsisting during the year or at the date of approval of the financial statements in which any director of the Company had a material interest; however, during the year and at the date of approval of the financial statements, a qualifying third party indemnity from the Company was available to the directors against liabilities incurred by them in defending proceedings against them in relation to the affairs of the Company. The indemnity is subject to the provisions of the Companies Act and is set out in the Articles of Association.

Employees

The Group continues to involve employees in the decision-making process and communicates with all staff on various areas, including the economic and financial factors affecting the Group, via regular briefings, onsite training, employee forums and through our in-house news programme, Grapevine, which is available online and via DVD. Staff involvement in the Group's performance is encouraged through employee bonus and share schemes. The Group's aim for all members of staff and applicants for employment is to fit the qualifications, aptitude and ability of each individual to the appropriate job, and to provide equality of opportunity regardless of sex, sexual orientation, nationality, religion or ethnic origin or any other characteristic. The Group does all that is practicable to meet its responsibility towards the employment and training of disabled people. Where an employee becomes disabled, every effort is made to provide continuity of employment in the same job or a suitable alternative.

Future developments

A review of the business and an indication of likely future developments are included in the Strategic Report.

Financial risk management

Details of the financial risks of the Company are disclosed in the Strategic Report.

Impact of Covid-19

Since March 2020, there has been significant macro-economic uncertainty as a result of the Covid-19 outbreak, the scale and duration of which inherently remains uncertain. During 2021 and 2022, further events outside of the control of the Group of companies headed by the Company (the "Unipart Rail Group") have had a negative impact on the business. The increased energy and commodity prices due to the war in Ukraine is well documented, as are the difficulties that many manufacturing companies are facing due to the ability of global supply chains to restart production or shipping to meet changing demand patterns. More recently there is the increasing inflation in many economies (impacting wage and raw materials costs) and the uncertainty within the UK Rail industry, due to both strike action and a change in strategy for UK Rail. The above factors are expected to continue to have an impact on the business during the remainder of 2022 and into 2023.

The Unipart Rail Group has been working closely with both customers and suppliers to mitigate any disruption to supply chains and to support them as they navigate their way through the impacts on their businesses. These plans will continue to be adapted as the situation evolves.

After careful monitoring of the impact of the above throughout the year, the key financial risks that the directors have identified for the next financial year are:

- a decline in turnover due to customers' reduced volume demands;
- a reduction in margins due to costs increases, given the current inflationary environment, which cannot be fully passed onto customers or are above contractually agreed increases; and
- increased levels of absenteeism.

A potential risk exists regarding working capital increases if customers delay payments, however, the Group has not experienced this so far during the pandemic.

The Group's banking headroom position and associated covenants have been stress tested for various scenarios relating to the key risks, looking in particular at the impact of varying levels of customers' reduced demand resulting in:

- 1 A repeat of the adverse financial impact as in 2021; and
- 2 Operating profits that are 30% lower than 2021.

These assessments have been reviewed and discussed by the management team of the Company and the Board of Directors of the Company, Unipart Rail Holdings Limited and the ultimate parent company, with consideration given to sensible mitigating actions that are readily available to the companies within the Unipart Rail Group. The directors have considered the commercial mechanisms in place with customers and suppliers, along with the ability, if required, for the business to scale down costs according to the reduced demand. Whilst these are unprecedented times, being able to efficiently manage costs in line with fluctuating volumes is a fundamental part of the offering the Unipart Rail Group already provides to many of its customers. Other mitigating options available include changing the timing of intragroup payments as well as the delaying of discretionary expenditure, which have each been considered and modelled. Furthermore, we have been able to redeploy colleagues from one site to another in line with volume demand due to the consistent use of The Unipart Way across each of our operations.

The health and safety of our people remains our top priority. We continue to encourage each of our colleagues to get vaccinated to help protect themselves, their families and our colleagues against Covid-19 and have also offered free flu vaccines over the winter period to help protect our people further.

Unipart Rail Limited

Directors' Report

For the Year Ended 31 December 2021

Going concern

As a direct result of the ongoing impact of the factors noted earlier in this report on Rail operations and infrastructure funding across the UK, the Company is currently projected to breach certain covenants in its bank facility, on a trading basis, even though it has sufficient financial headroom in the facility itself. The Company is currently in the process of negotiating a covenant test deferral, with its lenders to allow it time to implement certain non-trading actions, for example asset sales, which the directors reasonably believe are achievable and will retrospectively result in meeting those covenant targets.

In considering going concern, the directors have reviewed the cash flow requirements of the Unipart Rail Group, both under normal circumstances and reflecting the current assessment of the severe but plausible downside scenarios in light of the factors noted earlier in this report to the end of September 2023. The Company and Unipart Rail Group has access to long-term borrowing facilities, which the directors anticipate being available on a continuing basis.

Based on these assessments, the Board believes that the projected covenant breach will be resolved and that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements, which are shown on pages 13 - 43.

In light of the forecasted performance for the remainder of 2022 and 2023, the continued impact of the uncertainty in the rail industry and impact of increasing prices for energy and commodities and the forecasted breaches to covenants, the directors have concluded that material uncertainties exist which may cast doubt as to the Company's ability to continue as a going concern. The material uncertainties relate to the achievability of the projected performance which is required to maintain compliance with the banking facilities, the subsequent agreement by the Company's lenders of the covenant deferral and the achievability of the mitigating actions identified by management within the required timeframes. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Post balance sheet events

Since the end of the reporting period, there have been a number of non-adjusting post balance sheet events, details of which are provided in Note 28.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

This report was approved by the Board of Directors on 20 July 2022 and signed on its behalf by:



C J Weldon

Director

20 July 2022

Registered number: 03038418

Report on the audit of the financial statements

Opinion

In our opinion, Unipart Rail Limited's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2021 and of the Group's profit and cashflow for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated Balance Sheet and the Company Balance Sheet as at 31 December 2021; the Consolidated Profit and Loss account, Consolidated Statement of Comprehensive Income, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity, and the Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of significant accounting policies.

Basis for opinion

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

Independence

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3.1 to the financial statements concerning the group's and the company's ability to continue as a going concern. There are significant external factors which are having, and will continue to have, negative impacts on the forecasted cash flows of the Group and therefore its ability to maintain compliance with the covenants attached to its debt facilities. Whilst forecasted breaches are expected in the coming 12 months, management expect to implement mitigations and receive waivers / renegotiate covenants to avoid the debt being recalled. The achievability of the future forecasted cashflow, or the successful and timely completion of the mitigating actions or covenant amendments/waivers cannot be guaranteed. These conditions, along with the other matters explained in note 3.1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a 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 responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Responsibilities for the financial statements and the audit (continued)

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to compliance with employment legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of unusual journals to increase the reported performance or the manipulation of accounting estimates which could be subject to management bias. Audit procedures performed by the engagement team included:

- Understanding and evaluating the key elements of the Unipart group's internal control related to estimates and the detection and prevention of fraud;
- Reviewing accounting estimates for bias and validating the support behind the assumptions and judgements made by management including challenging against possible alternatives, for example in relation to retirement benefit obligations;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Reviewing legal expense accounts, board minutes and in-house legal counsel documentation;
- Reading the minutes of the Board meetings to identify any inconsistencies with other information provided by management;
- Substantive testing of manual journal entries, particularly focused around revenue journals which have unexpected account relationships; and
- Incorporating elements of unpredictability.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Andrew Dymond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

East Midlands
20 July 2022

Unipart Rail Limited

**Consolidated Profit and Loss Account
For the Year Ended 31 December 2021**

		2021	2020
		£000	£000
	Note		
Turnover	5	115,926	123,825
Cost of Sales		(69,652)	(75,943)
Gross profit		46,274	47,882
Distribution costs		(5,379)	(4,336)
Administrative expenses		(40,273)	(44,075)
Other operating income	6	761	618
Profit before share of profit after taxation of associates and joint ventures, exceptional items, interest and taxation		1,383	89
Share of profit after taxation of associates and joint ventures	14	1,965	2,359
Profit before interest and taxation and exceptional items		3,348	2,448
Exceptional items	9	(2,642)	(1,019)
Profit before interest and taxation	7	706	1,429
Net other finance charge	11	(531)	(673)
Profit before taxation		175	756
Tax on profit	12	1,053	318
Profit for the financial year		1,228	1,074

The notes on pages 20 to 43 form part of these financial statements.

Unipart Rail Limited

**Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2021**

		2021	2020
		£000	£000
	Note		
Profit for the financial year		1,228	1,074
Other comprehensive income/(expense) for the year			
Actuarial gain/(loss) recognised on defined pension schemes	21	30,206	(12,297)
Deferred tax relating to actuarial (gain)/loss on defined pension schemes		(5,739)	2,182
Effect of change in tax rate on deferred tax relating to defined pension schemes		500	585
Movement relating to previously unrecognised deferred tax asset		(309)	-
Currency translation differences		(205)	266
Pension asset previously unrecognised		-	1,295
Other comprehensive income/(expense) for the year		24,453	(7,969)
Total comprehensive income/(expense) for the year		25,681	(6,895)

Unipart Rail Limited

**Consolidated Balance Sheet
As at 31 December 2021**

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	13	1,157	1,102
Investments	14	<u>13,863</u>	<u>12,335</u>
		15,020	13,437
Current assets			
Stocks	15	34,085	35,187
Debtors: amounts falling due after more than one year	16	5,376	10,257
Debtors: amounts falling due within one year	16	66,438	65,649
Cash at bank and in hand		<u>13,605</u>	<u>15,490</u>
		119,504	126,583
Creditors: amounts falling due within one year	17	<u>(26,478)</u>	<u>(27,173)</u>
Net current assets		93,026	99,410
Total assets less current liabilities		<u>108,046</u>	<u>112,847</u>
Provisions for liabilities	20	(554)	(414)
Net assets excluding pension liability		<u>107,492</u>	<u>112,433</u>
Pension liability	21	(12,503)	(43,125)
Net assets		<u><u>94,989</u></u>	<u><u>69,308</u></u>
Capital and reserves			
Called up share capital	22	40,010	40,010
Profit and loss account	23	<u>54,979</u>	<u>29,298</u>
Total shareholder's funds		<u><u>94,989</u></u>	<u><u>69,308</u></u>

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 20 July 2022 by:



C J Weldon
Director

The notes on pages 20 to 43 form part of these financial statements.

Registered number: 03038418

Unipart Rail Limited

**Company Balance Sheet
As at 31 December 2021**

	Note	2021 £000	2020 £000
Fixed assets			
Tangible assets	13	1,141	1,081
Investments	14	9,048	9,102
		<u>10,189</u>	<u>10,183</u>
Current assets			
Stocks	15	32,741	34,529
Debtors: amounts falling due after more than one year	16	5,376	10,257
Debtors: amounts falling due within one year	16	69,454	67,097
Cash at bank and in hand		12,934	15,286
		<u>120,505</u>	<u>127,169</u>
Creditors: amounts falling due within one year	17	(25,143)	(26,273)
Net current assets		<u>95,362</u>	<u>100,896</u>
Total assets less current liabilities		<u>105,551</u>	<u>111,079</u>
Provisions for liabilities	20	(386)	(414)
Net assets excluding pension liability		<u>105,165</u>	<u>110,665</u>
Pension liability	21	(12,503)	(43,125)
Net assets		<u><u>92,662</u></u>	<u><u>67,540</u></u>
Capital and reserves			
Called up share capital	22	40,010	40,010
Profit and loss account	23	52,652	27,530
Total shareholder's funds		<u><u>92,662</u></u>	<u><u>67,540</u></u>

As permitted by Section 408(3) of the Companies Act 2006, the Company has not presented its own Profit and Loss Account or Statement of Comprehensive Income. The Company's profit for the financial year was £471,000 (2020: £4,178,000) and the Company's other comprehensive income/(expense) for the financial year was £24,651,000 (2020: £(8,234,000)).

The financial statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 20 July 2022 by:



C J Weldon
Director

The notes on pages 20 to 43 form part of these financial statements.

Registered number: 03038418

Unipart Rail Limited**Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2021**

	Called up share capital £000	Profit and loss account £000	Total shareholder's funds £000
At 1 January 2021	40,010	29,298	69,308
Profit for the financial year	-	1,228	1,228
Other comprehensive income for the year	-	24,453	24,453
As at 31 December 2021	40,010	54,979	94,989

**Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2020**

	Called up share capital £000	Profit and loss account £000	Total shareholder's funds £000
At 1 January 2020	40,010	36,193	76,203
Profit for the financial year	-	1,074	1,074
Other comprehensive expense for the year	-	(7,969)	(7,969)
As at 31 December 2020	40,010	29,298	69,308

The notes on pages 20 to 43 form part of these financial statements.

Unipart Rail Limited**Company Statement of Changes in Equity
For the Year Ended 31 December 2021**

	Called up share capital £000	Profit and loss account £000	Total shareholder's funds £000
At 1 January 2021	40,010	27,530	67,540
Profit for the financial year	-	471	471
Other comprehensive income for the year	-	24,651	24,651
As at 31 December 2021	40,010	52,652	92,662

**Company Statement of Changes in Equity
For the Year Ended 31 December 2020**

	Called up share capital £000	Profit and loss account £000	Total shareholder's funds £000
At 1 January 2020	40,010	31,586	71,596
Profit for the financial year	-	4,178	4,178
Other comprehensive expense for the year	-	(8,234)	(8,234)
As at 31 December 2020	40,010	27,530	67,540

The notes on pages 20 to 43 form part of these financial statements.

Unipart Rail Limited

**Consolidated Cash Flow Statement
For the Year Ended 31 December 2021**

	Note	2021 £000	2020 £000
Net cash used in operating activities	24	(1,816)	(3,251)
Taxation received/(paid)		98	(814)
Net cash used in operating activities after taxation		(1,718)	(4,065)
 Cash flow from investing activities			
Acquisition of business		-	(54)
Purchase of tangible assets	13	(540)	(632)
Dividends received from joint ventures and associates	14	364	4,330
Net cash (used in)/generated from investing activities		(176)	3,644
 Cash flow from financing activities			
Interest paid		-	(32)
Net cash used in financing activities		-	(32)
 Net decrease in cash and cash equivalents		(1,894)	(453)
Cash and cash equivalents at 1 January		15,490	15,827
Exchange gains on cash and cash equivalents		9	116
Cash and cash equivalents at 31 December		13,605	15,490
 Cash and cash equivalents consists of:			
Cash at bank and in hand		13,605	15,490
Cash and cash equivalents		13,605	15,490

1 General information

The Company is a trading company within the United Kingdom.

The Company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Unipart House, Cowley, Oxford, OX4 2PG.

2 Statement of compliance

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

3 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

3.1 Basis of accounting

Going concern

In considering the going concern assumption, the directors have had to apply judgment in relation to the potential impact that the Covid-19 global pandemic and other factors such as the rising commodity and energy costs and the impact of uncertainty in the Rail industry at present might continue to have on the global and domestic economies the Company and Unipart Rail Group operates in and its potential impact on the Unipart Rail Group.

As a direct result of the ongoing impact of the above factors on Rail operations and infrastructure funding across the UK, the Company is currently projected to breach certain covenants in its bank facility on a trading basis, even though it has sufficient financial headroom in the facility itself. The Company is currently in the process of negotiating a covenant test deferral with its lenders to allow it time to implement certain non-trading actions, for example asset sales, which the directors reasonably believe are achievable and will retrospectively result in meeting those covenant targets.

In considering going concern, the directors have reviewed the cash flow requirements of the Unipart Rail Group, both under normal circumstances and reflecting the current assessment of the severe but plausible downside scenarios in light of the factors noted earlier in this report to the end of September 2023. The Company and Unipart Rail Group has access to long-term borrowing facilities, which the directors anticipate being available on a continuing basis.

Based on these assessments, the Board believes that the projected covenant breach will be resolved and that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements, which are shown on pages 13 - 43.

3 Accounting policies (continued)

3.1 Basis of accounting (continued)

In light of the forecasted performance for the remainder of 2022 and 2023, the continued impact of the uncertainty in the rail industry and impact of increasing prices for energy and commodities and the forecasted breaches of covenants, the directors have concluded that material uncertainties exist which may cast doubt as to the Company's ability to continue as a going concern. The material uncertainties relate to the achievability of the projected performance which is required to maintain compliance with the banking facilities, the subsequent agreement by the Company's lenders of the covenant deferral and the achievability of the mitigating actions identified by management within the required timeframes.

Other basis of accounting considerations

The financial statements have been prepared under the historical cost basis of accounting, including FRS 102 and the Companies Act 2006. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

The presentation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's and Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.2 Basis of consolidation

The Group financial statements comprise a consolidation of the financial statements of the Company and all of its subsidiary undertakings, except where control is subject to severe long term restrictions, and incorporates its share of the results of all joint ventures and associates via equity accounting principles. The results and fair value of the assets and liabilities of undertakings acquired are consolidated from the date the Group gains control. The results from discontinued operations are included up until the date they are disposed of or terminated. No Profit and Loss Account is presented for the Company, as permitted by Section 408 of the Companies Act 2006. Uniform accounting policies are applied across the Group. Intragroup transactions are eliminated on consolidation.

3.3 Cash flow statement

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a cash flow statement on the basis that it is a qualifying entity and the Company's cashflows are included in the Consolidated Cash Flow Statement.

3 Accounting policies (continued)

3.4 Turnover

Income is recognised as the fair value of consideration receivable on goods and services supplied during the year, including amounts received and receivable on management fee contracts. The sales of goods are recognised at the point at which the risks and rewards of ownership are transferred, in accordance with the individual sales' contracts. The sales of services are recognised in the accounting period in which the services are rendered, by reference to the agreed contractual arrangements. Revenue is reported net of conditional discounts, VAT and other sales taxes.

3.5 Exceptional items

Where items are so material that separate presentation is relevant to the Group's financial performance, then such items are presented as exceptional items on the face of the Consolidated Profit and Loss Account.

3.6 Government grants

Government grants in respect of capital expenditure and employment costs are released to the Profit and Loss account in the year in which they are received.

3.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation, with provision for impairment where considered appropriate. The cost of purchased assets is the value of consideration given to acquire the assets and value of other directly attributable costs that are incurred in bringing the assets to the location and condition necessary for their intended use. Depreciation on the cost of tangible fixed assets is provided over the following periods on a straight line basis, to write off the assets over their estimated useful lives from the date they are brought into use.

Short Leasehold Land and buildings	- The period of the lease up to a maximum of 40 years
Plant and machinery	- 5 to 10 years

3.8 Impairment of fixed assets

Impairment provisions are calculated by comparing the net book value of fixed assets with the higher of the fair value less costs to sell and the value in use. The value in use is calculated using the forecast discounted cash flows over the economic life of the related fixed asset.

3.9 Investments

Investments in the Company Balance Sheet are shown at cost less provision for impairment.

Impairment reviews are performed by the directors when there has been an indication of potential impairment.

3.10 Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value on a weighted average basis after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

3.11 Warranties

Provision is made for the best estimate of the costs of making good under warranty products sold before the balance sheet date and is discounted, where material.

3 Accounting policies (continued)

3.12 Property provisions

Provision is made for the best estimate of dilapidation costs, on a discounted basis, at the date the obligation arises. The unwinding of the discount is included within interest expense.

3.13 Pension costs

For defined contribution schemes, contributions are charged to the Consolidated Profit and Loss Account as payable in respect of the accounting year.

For defined benefit schemes, the amounts charged to profit before interest and taxation are the current service costs, scheme administrative costs excluding the costs of servicing the investments and gains and losses on settlements and curtailments. Past service costs are recognised immediately in the Consolidated Profit and Loss Account. The net interest cost is shown as other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in Other Comprehensive Income.

Where defined benefit schemes are funded, the assets of the scheme are held separately from those of the Company, in separate, trustee-administered funds. Pension scheme assets are measured at fair value. Pension scheme liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred taxation, is presented separately after other net assets on the face of the Consolidated and Company Balance Sheets.

3.14 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Consolidated Profit and Loss Account.

3.15 Operating leases

Rentals under operating leases are charged to the Consolidated Profit and Loss Account on a straight line basis over the lease term.

3.16 Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

3 Accounting policies (continued)

3.17 Deferred tax

Deferred tax is accounted for to recognise timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes. A deferred tax liability is recognised if transactions or events result in the Company having an obligation to pay more tax in future periods. A deferred tax asset is only recognised where transactions or events that have occurred before the Balance Sheet date give the Company the right to pay less tax in the future and it is considered to be probable that the asset will be recovered. Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3.18 Financial instruments

The Company and Group have chosen to adopt FRS 102 Section 11 "Basic Financial Instruments" and FRS 102 Section 12 "Other Financial Instruments Issues" in respect of financial instruments.

Basic financial assets, including trade and other receivables and cash and bank balances, are initially measured at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group undertakings are initially recognised at transaction price. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are capitalised and netted against the respective facility and amortised over the period of the facility to which it relates.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in fair value of derivatives are recognised in profit or loss in finance costs or income, as appropriate, unless it is appropriate to apply hedge accounting in which case the changes are reflected in the Consolidated Statement of Comprehensive Income.

3.19 Related party transactions

The Company is controlled by Unipart Group of Companies Limited. The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(e), from disclosing transactions with other wholly owned Ultimate Group companies. Other related party transactions are shown in note 27.

4 Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure in the reporting period, particularly in relation to the adoption of the going concern assumption, accounting for pension costs, the useful economic lives of fixed tangible and intangible assets, the recognition of provisions and the recognition of deferred tax assets. Actual results could differ from those estimates.

The financial statements have been prepared on the going concern basis, in accordance with Companies Act 2006 and applicable accounting standards in the United Kingdom.

In considering the going concern assumption, the directors have had to apply judgment in relation to the potential impact that the Covid-19 global pandemic and other factors such as rising commodity and energy costs and the impact of the uncertainty in the Rail industry at present might continue to have on the global and domestic economies the Company and Group operates in and its potential impact on the Group. In arriving at this judgment, projections have been prepared to model the financial resilience of the Company and Group to various scenarios resulting from continued impacts. The projections themselves require judgment and estimates regarding the potential recovery profile that the industry might experience and the impact it might have on the Company's and Group's profit and cash flow. The results of the financial resilience tests, and the mitigating actions that are available provide a reasonable expectation that the Company and Group has adequate resources to manage its way through the potential impacts of Covid-19. Therefore the directors continue to consider it appropriate to adopt the going concern assumption in preparing these financial statements. The Directors' Report includes more detail on the financial resilience testing undertaken.

The Group and Company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the Consolidated and Company Balance Sheets. The assumptions reflect historical experience and current trends. See note 21 for the assumptions used in accounting for defined benefit pension schemes.

The annual depreciation charge for tangible and intangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful lives and residual values are reassessed annually. They are amended when necessary, to reflect current estimates. See note 13 for the carrying value of tangible fixed assets.

Stocks are stated after provisions for impairment. These are reassessed annually and amended, when necessary, to reflect current estimates. See note 15 for the carrying value of stock.

Deferred tax assets are only recognised to the extent to which it can be regarded as more likely than not that the Group will generate sufficient future taxable profits from which the reversal of the underlying timing differences can be deducted. See note 18 for details of deferred tax assets recognised.

Unipart Rail Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

5 Turnover

All sales in the current and prior year relate to one class of business, that of the provision of global supply chain solutions.

	2021 £000	2020 £000
Sale of goods	104,454	112,264
Provision of services	11,472	11,561
Turnover	115,926	123,825

An analysis of turnover by geographical location of customer is as follows:

	2021 £000	2020 £000
United Kingdom	100,970	111,617
Rest of Europe	2,818	1,942
Rest of World	12,138	10,266
	115,926	123,825

6 Other operating income

	2021 £000	2020 £000
Government grants	761	618
	761	618

7 Profit before interest and taxation

The Group profit before interest and taxation is stated after charging/(crediting):

	2021 £000	2020 £000
Government grants	(761)	(618)
Depreciation of tangible fixed assets	485	461
Amount of stock expensed	68,906	73,987
Auditors' remuneration - audit services	146	146
Operating lease rentals		
- plant and machinery	1,303	1,304
- land and buildings	5,034	4,242
Exchange differences	14	123

Total administrative expenses, including exceptionals are £42,915,000 (2020: £45,094,000).

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

8 Employees

Staff costs were as follows:

	2021	2020
	£000	£000
Wages and salaries	22,649	24,471
Social security costs	1,902	2,284
Other pension costs	1,816	1,871
	26,367	28,626

Other pension costs relate to contributions to defined contribution pension schemes and current service costs and administration costs relating to defined benefit pension schemes.

The average monthly number of employees, including the directors, during the year was as follows:

	Group	Group
	2021	2020
	Number	Number
Direct production	114	110
Indirect production and warehousing	185	201
Sales, marketing and administration	371	400
	670	711

The monthly average number of employees including directors in the Company during the year was 598 (2020: 641), with staff costs of £22,287,000 (2020: £25,027,000).

9 Exceptional items

In the current year, an exceptional charge of £2,642,000 (2020: £1,019,000) has been reported in the Consolidated Profit and Loss account. This charge and the prior year charge relate to the restructuring of certain UK rail operations enabling the Group and Company to respond better to market needs in the sector and includes employee severance costs. This restructuring will allow the Ultimate Group to effectively pursue its strategy of international growth and new product innovation, whilst remaining competitive in the UK.

Unipart Rail Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

10 Directors' emoluments

	2021	2020
	£000	£000
Directors' emoluments	485	359
Company pension contributions to defined contribution pension schemes	-	3

During the year, certain directors (2020: certain directors) received their remuneration in respect of services to Group as a whole and received no remuneration in respect of services provided to the Company.

During the year, no retirement benefits accrued to any directors (2020: one) in respect of a defined contribution pension scheme. Aggregate emoluments include compensation for loss of office for one director (2020: one). No directors (2020: nil) accrued retirement benefits under a defined benefit scheme.

The highest paid director received aggregate emoluments during the year of £256,478 (2020: £219,786).

11 Net other finance charge

	2021	2020
	£000	£000
Bank interest payable	-	40
In relation to defined benefit pension scheme (note 21)	531	633
	531	673

Unipart Rail Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

12 Tax on profit

	2021	2020
	£000	£000
Current tax		
UK corporation tax (credit)/charge on profit for the year	(116)	50
Adjustments in respect of prior years	(278)	7
	<u>(394)</u>	<u>57</u>
Foreign corporation tax	8	(19)
Total current tax	<u>(386)</u>	<u>38</u>
Deferred tax		
Origination and reversal of timing differences	(43)	(280)
Adjustments in respect of prior years	166	128
Effect of change in tax rates	(790)	(204)
Total deferred tax	<u>(667)</u>	<u>(356)</u>
Tax on profit	<u>(1,053)</u>	<u>(318)</u>

Factors affecting tax credit for the year

The tax assessed for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021	2020
	£000	£000
Profit before taxation	<u>175</u>	<u>756</u>
Profit before taxation multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	33	144
Effects of:		
Expenses not deductible for tax purposes	-	11
Adjustments in respect of prior years	(110)	135
Non-taxable income	(69)	(404)
Effects of changes in tax rates	(790)	(204)
Utilisation of tax losses	162	-
Share of associate's tax reported within profit on ordinary activities	(688)	-
Expenses not deductible for tax purposes	409	-
Total tax credit for the year	<u>(1,053)</u>	<u>(318)</u>

12 Tax on profit (continued)

Factors that may affect future tax charges

The Group has generated significant UK capital losses from disposals in previous years. Such losses will only be available to offset UK capital profits arising in future periods, such as gains arising on the future sale of freehold properties, and it is expected to be some time before these losses are relieved. Accordingly, the Group has not recognised a deferred tax asset in respect of these losses. As a consequence, the Group does not expect to incur any significant tax charges in respect of capital gains within the foreseeable future.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate for larger businesses would increase to 25% (rather than remaining at 19%, as previously enacted). As a result, the relevant deferred tax balances have been remeasured.

Unipart Rail Limited

Notes to the Financial Statements
For the Year Ended 31 December 2021

13 Tangible assets

Group

	Short leasehold land and buildings £000	Plant and machinery £000	Total £000
Cost or valuation			
At 1 January 2021	594	7,050	7,644
Additions	8	532	540
At 31 December 2021	602	7,582	8,184
Accumulated depreciation			
At 1 January 2021	271	6,271	6,542
Charge for the year	90	395	485
At 31 December 2021	361	6,666	7,027
Net book value			
At 31 December 2021	241	916	1,157
At 31 December 2020	323	779	1,102

Company

	Short leasehold land and buildings £000	Plant and machinery £000	Total £000
Cost or valuation			
At 1 January 2021	594	6,901	7,495
Additions	8	531	539
At 31 December 2021	602	7,432	8,034
Accumulated depreciation			
At 1 January 2021	271	6,143	6,414
Charge for the year	90	389	479
At 31 December 2021	361	6,532	6,893
Net book value			
At 31 December 2021	241	900	1,141
At 31 December 2020	323	758	1,081

Unipart Rail Limited**Notes to the Financial Statements
For the Year Ended 31 December 2021**

14 Investments

Group	Total £000
Cost and net book value	
At 1 January 2021	12,335
Share of profits retained	1,965
Dividends	(364)
Impairment	(54)
Foreign exchange	(19)
At 31 December 2021	13,863

Transactions with the joint venture and associates are disclosed in note 27.

Details of the Group's undertakings are shown below.

Company	Total £000
Cost or valuation	
At 1 January 2021	13,102
Additions	-
At 31 December 2021	13,102
Impairment	
At 1 January 2021	(4,000)
Charged in the year	(54)
At 31 December 2021	(4,054)
Net book value	
At 31 December 2021	9,048
At 31 December 2020	9,102

Unipart Rail Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

14 Investments (continued)

Fixed asset investments include the 100% investment in the ordinary share capital of Unipart Rail Logistics Limited, a non-trading subsidiary, the 100% investment in the ordinary share capital of Unipart Malaysia Sdn Bhd, the 100% investment in Unipart Services Canada Inc, a subsidiary that distributes rail products to the Canadian market, the 100% investment in the ordinary share capital of Unipart Group Australia PTY Limited, a subsidiary that provides warehouse and logistics services for the automotive and rail industries.

Fixed asset investments include the 50% investment in Unipart Rail ARC Middle East LLC, a Rail supply and servicing company in Saudi Arabia.

Fixed asset investments also include the 40% investment in the ordinary share capital of Lucchini Unipart Rail Limited, a company formed in partnership with Lucchini RS Group of Italy that has a railway wheel machining and wheelset assembly and maintenance facility. Fixed asset investments also include the 30% investment in the ordinary share capital of UGL Unipart Rail Services Pty Limited, a company formed in partnership with United Group Limited in Australia to provide fleet maintenance and logistics services to Sydney Trains in New South Wales, Australia.

Income from investments in the year relates to a dividend of £364,000 (2020: £739,000) from Lucchini Unipart Rail Limited and a dividend of £nil (2020: £3,591,000) from UGL Unipart Rail Services Pty Limited.

The registered office address for Unipart Rail Logistics Limited is Unipart House, Cowley, Oxford, Oxfordshire, OX4 2PG.

The registered office address for Unipart Malaysia Sdn Bhd is Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hng, No.1 Leboh Ampang, 5001 Kuala Lumpur, Malaysia.

The registered office address for Unipart Services Canada Inc is 317 Rutherford Road South, Brampton Ontario, L6W 3R5, Canada.

The registered office for Unipart Group Australia PTY Limited is 111-113 Newton Road, Wetherill Park, New South Wales, 2164, Australia.

The registered office address for UGL Unipart Rail Services Pty Limited is Level 10, 40 Miller Street, North Sydney, NSW, 2060 Australia.

The registered office address for Lucchini Unipart Rail Limited is Ashburton Park, Wheel Forge Way, Trafford Park, Manchester, M17 1EH.

The registered office address for Unipart Rail ARC Middle East LLC is 19th Floor Al Nakhlah Tower, 3026 Prince Mohammed Ibn Salman Ibn Abdulaziz Road, As Sahafah, Riyadh 13315, Saudi Arabia.

Unipart Rail Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

15 Stocks

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Work in progress	1,206	1,547	1,206	1,547
Finished goods	32,879	33,640	31,535	32,982
	34,085	35,187	32,741	34,529

There is no material difference between carrying value and replacement cost.

Stocks are stated after provisions for obsolescence of £13,958,000 (2020: £13,546,000).

16 Debtors

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Amounts falling due after more than one year				
Deferred tax (note 18)	5,376	10,257	5,376	10,257
Amounts falling due within one year				
Trade debtors	18,189	22,115	15,375	19,736
Amounts owed by Group undertakings	45,747	40,464	51,948	45,576
Corporation tax	552	264	501	211
Other debtors	580	748	580	748
Prepayments and accrued income	1,370	2,058	1,050	826
	66,438	65,649	69,454	67,097

Amounts owed by Group undertakings are unsecured, non-interest bearing and are repayable on demand.

Trade debtors are stated after provisions for impairment of £292,000 (2020: £468,000).

Unipart Rail Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

17 Creditors: amounts falling due within one year

	Group	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
Trade creditors	12,309	13,222	11,957	13,188
Amounts owed to Group undertakings	4,011	935	3,786	718
Other taxation and social security	4,345	6,393	4,177	6,268
Accruals and deferred income	5,813	6,623	5,223	6,099
	26,478	27,173	25,143	26,273

Amounts owed to Group undertakings are unsecured, non-interest bearing and are repayable on demand.

18 Deferred tax

	Group	Group	Company	Company
	2021	2020	2021	2020
	£000	£000	£000	£000
At 1 January	10,257	7,134	10,257	7,134
Amounts credited to the Profit and Loss Account during the year	667	356	667	356
Amounts (charged)/credited to the Statement of Comprehensive Income during the year	(5,548)	2,767	(5,548)	2,767
At 31 December	5,376	10,257	5,376	10,257

The deferred tax asset is made up as follows:

	2021	2020	2021	2020
	£000	£000	£000	£000
Accelerated capital allowances	2,126	1,655	2,126	1,655
Short term timing differences	124	99	124	99
Deferred tax asset relating to defined benefit pension scheme	3,126	8,503	3,126	8,503
	5,376	10,257	5,376	10,257

The Company recognises all available deferred tax assets.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

19 Financial instruments

The Group has the following financial instruments:

	2021	2020
	£000	£000
Financial assets that are debt instruments measured at amortised cost		
Trade debtors (note 16)	18,189	22,115
Amounts owed by Group undertakings (note 16)	45,747	40,464
Other debtors (note 16)	580	748
	64,516	63,327
	2021	2020
	£000	£000
Financial liabilities measured at amortised cost		
Trade creditors (note 17)	12,309	13,222
Amounts owed to Group undertakings (note 17)	4,011	935
Accruals and deferred income (note 17)	5,813	6,623
	22,133	20,780

Financial instruments are measured at fair value.

Derivative financial instruments - Forward contracts

The Group enters into forward foreign contracts to mitigate the exchange rate risk for certain foreign currency transactions. At 31 December 2021, the outstanding contracts all matured within 12 months (2020: 12 months) at the year end.

At 31 December 2021, the fair value of forward contracts was £nil (2020: £nil).

Company

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(c), from presenting disclosures in relation to financial instruments on the basis that the Group prepares the equivalent consolidated disclosures.

20 Provisions for liabilities

Group

	Investment losses £000	Warranty £000	Property £000	Total £000
At 1 January 2021	-	77	337	414
Charged in the year	168	-	-	168
Utilised in the year	-	(6)	(22)	(28)
At 31 December 2021	<u>168</u>	<u>71</u>	<u>315</u>	<u>554</u>

Company

	Warranty £000	Property £000	Total £000
At 1 January 2021	77	337	414
Utilised in the year	(6)	(22)	(28)
At 31 December 2021	<u>71</u>	<u>315</u>	<u>386</u>

Warranty

The Group supplies parts to customers on which it offers differing warranties. The cost of warranties on sales made prior to the year end has been estimated based on past experience of warranty settlements. The timing of the related cash flows remains uncertain.

Property

The property provision is in respect of contractual obligations in relation to dilapidations. These provisions are expected to be fully utilised at the end of the respective leases.

Investment losses

The provision for investment losses relates to a joint venture in Saudi Arabia, Unipart Rail ARC Middle East LLC, that is considered to be impaired.

21 Pension liability

Some of the Company's employees are members of the Railways Pension Scheme ("RPS"), a funded defined benefit scheme. The RPS was established with effect from 1 October 1994 when the British Rail Pension Scheme was partitioned. The Company operates two sections, the Unipart Rail Railpart (UK) ("Railpart") section and the Unipart Rail National Railway Supplies ("NRS") section which are both part of the RPS, but each section's assets are separately identified from the remainder of the Scheme. The latest full valuation of the RPS was carried out by the RPS actuary as at 31 December 2019. The value of the Scheme's liabilities at 31 December 2019 has been updated by Lane Clark & Peacock LLP to assess the liabilities of the Scheme at 31 December 2021 for the purposes of FRS 102.

The Company is responsible for the entire deficit in the Railpart and NRS sections of the RPS. During the year, the Company made contributions for the year at a rate of 15.4% of Section Pay. Based on the latest formal actuarial valuation, these rates are expected to continue until 2029.

Some of the Company's employees are members of the Dorman Traffic Products Limited Retirement Benefits Scheme ("DRBS"), a funded defined benefit scheme. The Scheme is closed to new members and, with effect from 31 December 2001, closed for future accrual. The latest formal comprehensive valuation of the DRBS was carried out by the Scheme Actuary as at 31 December 2020. The value of the Scheme's liabilities at 31 December 2020 have been updated by Lane Clark & Peacock LLP to assess the liabilities of the Scheme at 31 December 2021 for the purposes of FRS 102. Scheme assets are stated at their market value at 31 December 2021. The Company paid contributions of £nil into the DRBS in the year.

Total contributions made in the year to defined contribution sections of the Company's schemes were £962,000 (2020: £962,000).

The key financial and other assumptions used to calculate the scheme liabilities are:

	2021	2020
Rate of general increase in salaries	n/a	n/a
Rate of increase in pensions in payment	3.03%	2.31%
Discount rate	1.88%	1.25%
Rate of increase in deferred pensions	2.59%	2.07%
RPI inflation rate	3.28%	2.92%
Life expectancy for 65 year old male retiring on accounting date	21.2	21.4

Group and Company

The fair value of total scheme assets was:

	2021	2020
	£000	£000
Equities	28,591	102,541
Government bonds	21,887	22,924
Corporate bonds	-	1,522
Other	93,981	5,865
Total fair value of assets	144,459	132,852
Present value of scheme liabilities	(156,962)	(175,977)
Total deficit in schemes	(12,503)	(43,125)

Unipart Rail Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

21 Pension liability (continued)

The movements in the fair value of scheme assets and present value of scheme liabilities during the year were:

	Assets £000	Liabilities £000	Total £000
Net deficit at 1 January 2021	132,852	(175,977)	(43,125)
Administration costs	(120)	-	(120)
Service cost	-	(735)	(735)
Interest income/(cost)	1,630	(2,161)	(531)
Actuarial gain	14,439	15,767	30,206
Benefits paid	(6,338)	6,338	-
Contributions	1,996	(194)	1,802
Net deficit at 31 December 2021	144,459	(156,962)	(12,503)

The actual total return on scheme assets in the year was a gain of £16,069,000 (2020: gain of £10,247,000).

The Profit and Loss Account includes the following amounts:

	2021 £000	2020 £000
Administrative expenses	(120)	(91)
Current service cost	(735)	(818)
Interest cost	(531)	(633)
	(1,386)	(1,542)

22 Called up share capital

	2021 £000	2020 £000
Allotted called up and fully paid		
40,010,000 (2020: 40,010,000) Ordinary Shares of £1 each	40,010	40,010

Ordinary shares are classified as equity.

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital on these ordinary shares.

23 Reserves

Profit and loss account

The profit and loss account represents accumulated comprehensive income for the year and prior years less dividends paid.

Unipart Rail Limited

Notes to the Financial Statements
For the Year Ended 31 December 2021

24 Notes to the cash flow statement

	Note	2021 £000	2020 £000
Profit after taxation		1,228	1,074
Adjustments for:			
Tax on profit		(1,053)	(318)
Net interest expense		531	673
Exceptional items		2,642	1,019
Income from interests in associated undertakings		(1,965)	(2,359)
Profit before share of profit after taxation of associates and joint ventures, exceptional items, interest and taxation		1,383	89
Depreciation of tangible assets	13	485	461
Working capital movements:			
- decrease in stock		1,068	1,419
- (increase)/decrease in debtors		(695)	2,085
- decrease in creditors		(396)	(1,936)
- (increase)/decrease in provisions		26	(3,302)
Cash relating to exceptional items		(2,642)	(1,019)
Difference between pension service charge and cash contributions		(947)	(820)
Unrealised foreign currency gains and losses		(98)	(228)
Net cash used in operating activities		(1,816)	(3,251)

Analysis of changes in net funds

	1 January 2021 £000	Cash flow £000	Non - Cash movement £000	31 December 2021 £000
Cash at bank and in hand	15,490	(1,894)	9	13,605
Cash and cash equivalents	15,490	(1,894)	9	13,605

25 Contingent liabilities

The Group and Company has given security, by way of fixed and floating charges over certain of the Company's assets, to guarantee bank loans and overdrafts provided to certain fellow subsidiary undertakings. The amount outstanding under such arrangements at 31 December 2021 was £6,500,000 (2020: £8,500,000).

26 Operating lease commitments

At 31 December, the Group and Company had total future minimum lease payments under non-cancellable operating leases as follows:

	2021 £000	2020 £000
Expiry date		
Within 1 year	3,750	3,038
Between 2 and 5 years	5,950	8,482

27 Related party transactions

During the year, the total sales made to Lucchini Unipart Rail Limited amounted to £1,794,000 (2020: £2,884,000), purchases made from Lucchini Unipart Rail Limited amounted to £110,000 (2020: £328,000) and the balance owed from Lucchini Unipart Rail Limited at 31 December 2021 was £636,000 (2020: £583,000).

During the year, the total sales made to UGL Unipart Rail Services Pty Limited amounted to £234,000 (2020: £434,000), the balance owed from UGL Unipart Rail Services Pty Limited at 31 December 2021 was £81,000 (2020: £181,000).

During the year, total purchases made from Unipart Rail ARC Middle East LLC amounted to £83,000 (2020: £52,000) and the balance owed from Unipart Rail ARC Middle East LLC at 31 December 2021 was £167,000 (2020: £249,000).

Family members of either directors or key management personnel were employed by the Group during the year and were each paid a salary appropriate for the tasks and responsibilities of their roles. The position of the family member employed during the year was Customer Services Director.

28 Post balance sheet events

Since the end of the reporting period, there has been a significant increase in both corporate bond yields and long term inflation rates, the net magnitude of which would have materially improved the reported pension deficit had those conditions existed at the balance sheet date. As a result, this constitutes a non-adjusting post balance sheet event. Had the discount rate of 3.44% pa and inflation rate of 3.36% pa, as assessed prior to the date of the approval of these financial statements, been used to calculate the year-end reported position, the pension deficit would have been £40.3m lower, which would have significantly reduced the pension deficit of £(12.5)m to become a pension surplus of £27.8m.

Unipart Rail Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

29 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Unipart Rail Holdings Limited.

The ultimate parent undertaking and controlling party is Unipart Group of Companies Limited, which is the parent undertaking of the only group to consolidate these financial statements. Copies of Unipart Group of Companies Limited's consolidated financial statements can be obtained from the Company Secretary at Unipart House, Cowley, Oxford, OX4 2PG.

30 Group undertakings

30.1 Subsidiary undertakings

At the year end, the Group's subsidiary undertakings were as set out below. Unless otherwise stated, the holdings are 100% of the voting rights and ordinary shares.

Distribution and logistics management

Africa, Americas and Rest of the World

Unipart Group Australia Pty Limited (i)	Australia
PricewaterhouseCoopers, 201 Sussex Street, Sydney, NSW 2000, Australia	
Unipart Services Canada Inc (i)	Canada
317 Rutherford Road South, Brampton Ontario, L6W 3R5, Canada	
Rail Supply Chain Services Malaysia Sdn Bhd	Malaysia
Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing, No.1, Leboh Ampang, 50100 Kuala Lumpur, Malaysia	
Unipart Rail Malaysia Sdn Bhd (i)	Malaysia
Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing, No.1, Leboh Ampang, 50100 Kuala Lumpur, Malaysia	
S3 Technical Pty Ltd (75%)	Australia
111-113 Newton Road, Wetherill Park, NSW 2164, Australia	

30.2 Joint ventures and associates

The Group's interests in joint ventures and associates are set out below. Unless otherwise stated, the holdings are 50% of the voting rights and shares.

Distribution and logistics management

UGL Unipart Rail Services Pty Limited (30%) (i)	Australia
Level 10, 40 Miller Street, North Sydney, NSW, 2060 Australia	
Lucchini Unipart Rail Limited (40%) (i)	England
Ashburton Park Wheel Forge Way, Trafford Park, Manchester, M17 1EH, England	
Unipart Rail ARC Middle East LLC (i)	Saudi Arabia
Floor 19th, Al Nakhlah Tower, King Fahad Road, Al Sahafah Area, P.O. Box 51912	

30 Group undertakings (continued)

30.3 Non-trading subsidiaries and associates

The Group's non-trading subsidiary undertakings are set out below. Unless otherwise stated, the holdings are 100% of the voting rights and ordinary shares.

Dorman Traffic Products Limited *	England
Dorman Traffic Products Pension Trustees Limited *	England
Unipart Rail Logistics Limited (i) *	England
Lucchini UK Limited (40%)	England
Ashburton Park Wheel Forge Way, Trafford Park, Manchester, M17 1EH, England	

* Registered address is Unipart House, Garsington Road, Cowley, Oxford, OX4 2PG, England
(i) shares held directly by the Company