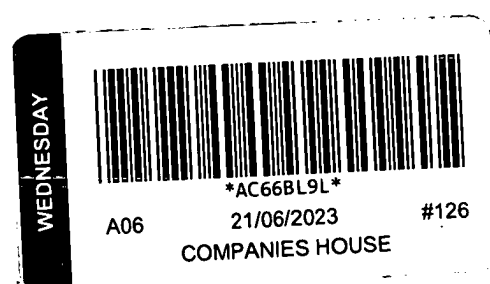


Registered number 10266130

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

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ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

COMPANY INFORMATION

Directors

D F Hobson
A N Chivers
R McDonald
M Allen
G Dunbar

Group secretary

J C Shepherd

Registered number

10266130

Registered office

Capital Tower
91 Waterloo Road
London
SE1 8RT

Independent Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Solicitor

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ

Banker

Lloyds Bank plc
10 Gresham Street
London
EC2V 7AE

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Review of the business

The sole activity of Rock Rail East Anglia (Holdings) 1 Limited (the “Company”) is as a holding company for its subsidiaries: Rock Rail East Anglia (Holdings) 2 Limited and Rock Rail East Anglia plc (collectively the “Group”) which is engaged in the funding, ownership, and leasing of a fleet of new electric multiple units and bi-mode unit trains manufactured by Stadler Bussnang AG (“Stadler”).

In October 2016, the Group entered into a manufacturing and supply agreement and loan documentation to fund the construction and delivery of the new trains. At the balance sheet date, the full fleet of 58 units (10 EMU12 IC, 10 EMU12 AIR, 14 BMU3 and 24 BMU4) have been accepted and are on lease to Abellio East Anglia Limited to serve Norfolk and Suffolk. Abellio East Anglia Limited is responsible for the maintenance of the trains.

Financial performance and position of the business

The Group made a loss before tax of £11,826k (2021: £12,911k) for the year ended 31 December 2022, in line with its operating budget and as expected at the start of the operating phase of the project and is driven by interest costs on loans. The units completed acceptance on 30 June 2020 and have generated revenue of £35,531k (2021: £35,531k) with corresponding cost of sales of £19,605k (2021: £19,605k) as a result of the depreciation charges being incurred.

The Group’s position remains consistent in all material respects with the financial forecasts prepared at the time of financial close in October 2016.

Key performance indicators (“KPI’s”)

The main KPI is performance against operating budget. The project is being managed against a construction program and budget that the Directors monitor regularly, and funding is in place to meet all the Group’s expected financing needs.

Principal risks and uncertainties

The principal risks of the business are credit risk and residual value risk.

Credit risk

Credit risk is the potential that a counterparty will fail to meet its obligations in accordance with agreed terms. The Company is primarily exposed to credit risk in relation to the operating lease entered into with Abellio East Anglia Limited. This risk is mitigated as the UK Government’s Department for Transport has entered into a National Rail Contract with the Operator until September 2024. Under this contract the operator has no exposure to changes in passenger demand. In addition, in the event of a failure of the operator, the Department for Transport is expected to step in as the operator of last resort to fulfil its statutory duties to provide rail services and would take responsibility for contractual lease payments.

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Residual Value Risk

This risk is that at the end of the current lease in October 2025 the Group's fleet will not be leased at rental levels that allow the remaining investment in the fleet to be recouped. This risk is minimised through the lack of alternative rolling stock that can provide passenger services on the routes where the Group's trains operate (and the high cost and long lead times of building new ones). The trains could also be deployed on other UK rail routes if necessary.

The Group also faces other financial risks. These risks are described in Note 17 Financial risk management.

Section 172(1) statement

As required by section 172(1) of the Companies Act 2006, the directors of the Company must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

1. the likely consequences of any decision in the long term;
2. the interests of the Company's employees;
3. the need to foster the Company's business relationships with suppliers, customers and others;
4. the impact of the Company's operations on the community and the environment;
5. the desirability of the Company maintaining a reputation for high standards of business conduct; and
6. the need to act fairly as between members of the Company.

The directors believe the following issues are relevant in complying with section 172(1) of the Companies Act 2006.

1. The likely consequences of any decision in the long term

The Company is a special purpose vehicle whose sole activity is the funding, ownership and leasing of a single fleet of trains for its entire life cycle of 35 years. The long-term asset management of the trains owned by the Company needed to maintain their value is a key consideration of the board of directors when making decisions.

2. The interests of the Company's employees

The Company has no employees.

3. The need to foster the Company's business relationships with suppliers, customers, and others

Due to the nature of the Company's activity, fostering positive long-term relationships with the fleet's suppliers, operators and other stakeholders is essential to the Company's success. The Company has worked hard to establish these relationships.

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Section 172(1) statement (continued)

4. *The impact of the Company's operations on the community and the environment*

The Company is committed to delivering sustainable benefits for the environment, local communities, and wider society. Its core focus is the delivery of better rail rolling stock for the benefit of the local communities who either use it directly or benefit from it in other ways. The Company recognises the social benefits that its investment in a new fleet of trains provides, through increasing mobility.

The Company's trains are all electric or bi-mode, helping to reduce harmful CO2 emissions as well as delivering significant energy efficiencies over the life-expired diesel trains they replaced. The modern engines used in the bi-mode units use 33% less diesel than the trains they replaced. And engine innovations and features such as intelligent climate-controlled air conditioning further reduce energy consumption and CO2 emissions.

The trains have a strong safety record and feature many special safety features.

The Company's trains have provided a significant improvement in passenger comfort and experience, including: a reduction in vibration and noise; power points and built-in wi-fi throughout the train; and the latest in real-time passenger information.

5. *The desirability of the Company maintaining a reputation for high standards of business conduct*

The Company's board of directors ensures that the Company maintains high standards of conduct in conducting its business and has established strong governance of the management of the business.

The board of directors ensure that the trains are managed in accordance with the relevant Environmental, Social and Governance (ESG) factors identified by the Global Real Estate Sustainability Benchmark (GRESB) that are relevant to rail rolling stock owners. ESG performance is important to the Company and its board of directors. The board of directors regularly review ESG performance against a number of relevant factors. The board of directors has a particular focus on safety of the Company's trains.

6. *The need to act fairly as between members of the Company*

The Company has three ultimate shareholders: abrdn; GLIL; and Rock Rail. Its board is comprised of directors from all three entities. The members have entered into a detailed agreement which sets out how the members will treat each other to ensure that matters are dealt with fairly.

Engagement with stakeholders

The Company holds regular board meetings, including updates from its fleet's asset managers and accountants. Site visits to inspect the fleet, and where relevant see it in operation are also periodically arranged. This results in the directors maintaining open lines of communication with the key stakeholders.

Effect of the Company's decisions and strategies during the financial year

The impact and effects of the Director's decisions and strategies are described in the Strategic Report on page 3, in particular the Financial performance and position of the business section.

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

Going concern

The Directors have prepared the financial statements on a going concern basis which requires the Directors to have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and is considered in more detail in note 1.3 of the accounts.

This report was approved by the board and signed on its behalf.



R McDonald
Director

Date: 16 May 2023

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

GROUP DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors present their report and the financial statements for the year ended 31 December 2022.

Directors

The Directors of the Company at 31 December 2022 and subsequent to the year-end are listed on page 2.

Dividend

The Directors do not recommend the payment of a dividend (2021: £nil).

Matters covered in the Strategic Report

A review of the business and principal risks and uncertainties are not shown in the Directors' Report as this information is included within the Strategic Report under s.414c(11) of the Companies Act 2006.

Disclosure of information to the auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Group's and the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Auditor

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

This report was approved by the board and signed on its behalf.



R McDonald
Director

Capital Tower
91 Waterloo Road
London
SE1 8RT

Date: 16 May 2023

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including *FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland* and have elected to prepare the parent Company financial statements on the same basis.

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 Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or parent Company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

Opinion

We have audited the financial statements of Rock Rail East Anglia (Holdings) 1 Limited ("the Company") for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- the Group and the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going Concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED (CONTINUED)

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the entity's operation do not provide an opportunity to fraudulently recognize revenue. We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED (CONTINUED)

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

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, and certain aspects of company legislation recognising the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any.

Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

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

Strategic Report and Directors' Report

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

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

Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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 these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they 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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED (CONTINUED)

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

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



Mark Smith (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 15/06/2023

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Turnover	5	35,531	35,531
Cost of sales	6	(19,605)	(19,605)
Gross profit		15,926	15,926
Operating expenses	4	(966)	(943)
Operating profit		14,960	14,983
Interest receivable and similar income		796	54
Interest payable and similar charges	8	(27,582)	(27,948)
Loss on ordinary activities before taxation		(11,826)	(12,911)
Tax credit on loss	7	2,584	2,210
Loss for the financial year		(9,242)	(10,701)
Total comprehensive deficit for the year		(9,242)	(10,701)

The result for the financial year has been derived from continuing activities.

There were no recognised gains or losses during the year other than as recorded in the Statement of Comprehensive Income.

The notes on pages 20 to 36 form an integral part of these financial statements.

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Fixed Assets			
Tangible fixed assets	9	630,391	649,996
		<u>630,391</u>	<u>649,996</u>
Current assets			
Debtors: due in more than one year £2,763k (2021: £179k)	12	2,927	197
Cash at bank and in hand		101,825	98,584
		<u>104,752</u>	<u>98,781</u>
Creditors: amounts falling due within one year	13	(73,554)	(16,980)
Net current assets		<u>31,198</u>	<u>81,801</u>
Total assets less current liabilities		<u>661,589</u>	<u>731,797</u>
Creditors: amounts falling due after more than one year	14	(673,189)	(734,155)
Net liabilities		<u>(11,600)</u>	<u>(2,358)</u>
Capital and reserves			
Called up share capital	20	50	50
Retained deficit	21	(11,650)	(2,408)
Shareholders' deficit		<u>(11,600)</u>	<u>(2,358)</u>

The notes on pages 20 to 36 form an integral part of the financial statements.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:



R McDonald
Director

Date: 16 May 2023

Registered number 10266130

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Fixed Assets			
Investments	10	50	50
Total fixed assets		<u>50</u>	<u>50</u>
Total assets less current liabilities		50	50
Creditors: amounts falling due after more than one year	14	(63)	(21)
Net (liabilities) / assets		<u>(13)</u>	<u>29</u>
Capital and reserves			
Share capital – allotted, called up and fully paid		50	50
Retained deficit		(63)	(21)
Shareholders' (deficit) / funds		<u>(13)</u>	<u>29</u>

The notes on pages 20 to 36 form an integral part of the financial statements.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

R McDonald

R McDonald
Director

Date: *16 May 2023*

Registered number 10266130

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balances at 1 January 2022	50	(2,408)	(2,358)
Loss and total comprehensive deficit for the year	-	(9,242)	(9,242)
Balances at 31 December 2022	50	(11,650)	(11,600)

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balances at 1 January 2021	50	8,293	8,343
Loss and total comprehensive deficit for the year	-	(10,701)	(10,701)
Balances at 31 December 2021	50	(2,408)	(2,358)

The notes on pages 20 to 36 form an integral part of the financial statements.

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balances at 1 January 2022	50	(21)	29
Loss and total comprehensive deficit for the year	-	(42)	(42)
Balances at 31 December 2022	50	(63)	(13)

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balances at 1 January 2021	50	(17)	33
Loss and total comprehensive deficit for the year	-	(4)	(4)
Balances at 31 December 2021	50	(21)	29

The notes on pages 20 to 36 form an integral part of the financial statements.

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

		2022 £'000	2021 £'000
	Notes		
Cash flows from operating activities			
Loss on ordinary activities after taxation		(9,242)	(10,701)
Depreciation	6	19,605	19,605
Interest paid	8	27,582	27,948
Interest receivable and similar income		(796)	(54)
Tax credit	7	(2,584)	(2,210)
(Increase)/decrease in debtors		(146)	6
Increase/(decrease) in creditors		3,903	(8,140)
Net cash flows from operating activities		38,322	26,454
Cash flows from investing activities			
Interest received		796	54
Net cash flows from investing activities		796	54
Cash flows from financing activities			
Repayment of long-term senior debt		(7,491)	(7,229)
Repayment of loan from shareholders		(804)	(663)
Interest paid	8	(27,582)	(27,948)
Net cash flow utilised in financing activities		(35,877)	(35,840)
Net increase/(decrease) in cash and cash equivalents in the year		3,241	(9,332)
Cash and cash equivalents at the beginning of the year		98,584	107,916
Cash and cash equivalents at the end of the year		101,825	98,584

The notes on pages 20 to 36 form an integral part of the financial statements.

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies

1.1 General information and basis of preparation

Rock Rail East Anglia (Holdings) 1 Limited (the “Company”) is a private company incorporated, domiciled, and registered in England in the UK. The registered office of the Company is given in the company information page of these financial statements.

These financial statements are the consolidated financial statements of Rock Rail East Anglia (Holdings) 1 Limited (the “Company”) and its subsidiaries Rock Rail East Anglia plc and Rock Rail East Anglia (Holdings) 2 Limited (collectively known as the “Group”) for the year end 31 December 2022.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102 (FRS102), the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The principal activity of the Company is that of a holding company for its subsidiaries. The presentation and functional currency of these financial statements is sterling and are rounded to the nearest £ thousand.

Rock Rail East Anglia (Holdings) 1 Limited meets the definition of a qualifying entity under FRS 102, paragraph 1.8 – 1.12 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements.

The following exemptions have been applied:

- reconciliation of the number of shares outstanding from the beginning to end of the year;
- no separate parent Company Cash Flow Statement with related notes is included; and
- key management personnel compensation.
- certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertaking made up to 31 December 2022. A subsidiary is an entity that is controlled by the parent. The result of the subsidiary undertaking is included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own Statement of Comprehensive Income.

The Company reported a loss for the financial year ended 31 December 2022 of £42k (2021: £4k).

In the Company financial statements, investments in subsidiaries, are carried at cost less impairment.

1.3 Going concern

The financial statements have been prepared on the going concern basis which the Directors consider appropriate after review of cash flow forecasts for a period of at least 12 months from the date of signing these financial statements and for the reasons outlined below. The Directors have reviewed the Group's operations and assessed the Group's ability to continue as a going concern and are satisfied that the Group has the resources available to continue in operation for at least 12 months from the date of approval of these financial statements.

In preparing these forecasts, the Directors considered the uncertainty of the current economic downturn and its impact on short and medium term cash liquidity. The significant judgements, which have been explored through downside scenario, relate to the continued requirement for the Group's trains.

The Group's full fleet of trains is on lease until October 2025 and contracted rental receipts are on a 'hell or high water' basis (i.e. the operator's obligation to pay rent under the lease is not dependent on whether the trains are used or passenger demand). The Directors believe it is highly likely that the trains will continue to be leased after the end of the current lease due to the lack of alternative trains that could provide the services provided by the Group's trains (and the high cost and long lead times of sourcing such alternatives). The cashflows under these rental payments are more than sufficient to service debt repayments falling due during this time.

Under both its base-case scenario and reasonably plausible downside scenario, the Directors consider the Group is well positioned to manage risk during this period of economic uncertainty. Consequently, the directors are confident the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.4 Interest receivable and payable

Interest payable relates to interest due on loans from shareholders and from senior debt borrowed to finance the manufacturing of the trains. Interest receivable and similar income include interest receivable on loans to group undertakings.

Interest income and interest payable are recognised as they accrue, using the effective interest method.

1.5 Borrowing costs

Borrowing costs directly attributable to the construction of qualifying assets, which take substantial time to become ready for their use or sale, are capitalised as part of those assets. All other borrowing costs are expensed.

1.6 Tangible fixed assets

Assets in the course of construction are carried at cost, less any recognised impairment loss. Costs capitalised include invoices from Stadler relating to construction of the assets, professional fees and borrowing costs capitalised in line with the accounting policy outlined above. Depreciation of these assets commences when the assets are ready for use.

Rolling stock and other railway assets are depreciated on a straight-line basis over their useful economic lives (35 years). Useful lives are reviewed annually.

1.7 Impairment of property, plant and equipment and operating lease assets

At each balance sheet date, or more frequently when events or changes in circumstances dictate, property, plant and equipment and operating lease assets are assessed for indicators of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount: the higher of the assets or the cash-generating unit's net selling price and its value in use. Net selling price, if available, is calculated by reference to the amount at which the asset could be disposed of in a binding sale agreement in an arm's length transaction evidenced by an active market or recent transactions for similar assets. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

The carrying values of assets are written down by the amount of any impairment and the loss is recognised in the Statement of Comprehensive Income in the year in which it occurs. A previously recognised impairment loss relating to an asset may be reversed in part or full when a change in circumstances leads to a change in the estimates used to determine the asset's recoverable amount.

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.7 Impairment of property, plant and equipment and operating lease assets (continued)

The carrying amount of the asset will only be increased up to the amount that would have been had the original impairment not been recognised. For conducting impairment reviews, cash generating units are the lowest level at which management monitors the return on investment on assets.

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

1.8 Turnover

Operating lease income is recognised on a straight-line basis over the lease term.

1.9 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangements constitute a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Interest bearing borrowings classified as basic financial instruments

Interest bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

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

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.10 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowed for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.11 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Group becomes aware of the obligation and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle this obligation, taking into account relevant risks and uncertainties.

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight-line basis over the term of the relevant lease except, where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2. Employees

During the year the Group had no employees other than the Directors (2021: none).

3. Directors' remuneration

The directors who held office during the year are employed by the entities who are shareholders of the Company and their employment remuneration is borne by those companies. The directors received no remuneration in respect of their services as directors to the Company, and there is no recharge of the directors' remuneration to the Company.

4. Operating expenses

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
Administrative expenses include the following:		
Audit of these financial statements	36	-
Audit of financial statements of subsidiaries of the Company	28	41

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

5. Turnover and other operating income

An analysis of turnover by class of business is as follows:

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
Operating lease income	35,458	35,458
Design change	73	73
	<hr/> 35,531	<hr/> 35,531

All operating lease income and income in respect of design change is generated within the UK.

6. Cost of sales

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
Depreciation of owned tangible fixed assets	<hr/> 19,605	<hr/> 19,605

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

7. Taxation

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	(1,964)	(2,168)
Tax rate changes	(620)	(42)
Total deferred tax	(2,584)	(2,210)
Tax credit on loss on ordinary activities	(2,584)	(2,210)

Factors affecting tax credit for the year

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

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
Loss on ordinary activities before tax	(11,826)	(12,911)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	(2,247)	(2,453)
Effects of:		
Transfer pricing adjustment	275	285
Deferred tax not recognised	8	-
Tax rate changes	(620)	(42)
Total tax credit for the year	(2,584)	(2,210)

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

7. Taxation (continued)

Deferred tax is recognised at 25% (2021: 25%) on all temporary differences where the transaction or events that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date.

A budget resolution, passed on 17 March 2020, included provision for the main rate of corporation tax to remain at 19% from 1 April 2020, and not to reduce to 17% as previously legislated. In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023.

8. Interest payable and similar charges

	Year Ended 31 December 2022 £'000	Year Ended 31 December 2021 £'000
Interest on senior debt	22,115	22,391
Interest on subordinated loans	5,467	5,557
	<hr/> 27,582	<hr/> 27,948

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

9. Tangible fixed assets

Group

	Rolling stock and other railway assets £'000
Cost	
At 1 January 2022	686,170
Additions	-
At 31 December 2022	<u>686,170</u>
Depreciation	
At 1 January 2022	36,174
Charge for the year	19,605
At 31 December 2022	<u>55,779</u>
Carrying amounts	
At 31 December 2021	<u>649,996</u>
At 31 December 2022	<u>630,391</u>

The aggregate amount of finance costs included in the cost of tangible fixed assets is £56,732k (2021: £56,732k).

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

10. Fixed asset investment

Company

	Investments in subsidiary undertaking £'000
Cost	
At 1 January 2022 and 31 December 2022	50
Net book value	
At 31 December 2021 and 31 December 2022	50

11. Subsidiary undertaking

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Nature of business	Class of shares	Holding
Rock Rail East Anglia plc	England and Wales	Rolling stock lessor	Ordinary	100%
Rock Rail East Anglia (Holdings) 2 Limited	England and Wales	Holdings Company	Ordinary	100%

The registered office of Rock Rail East Anglia plc and Rock Rail East Anglia (Holdings) 2 Limited is Capital Tower, 91 Waterloo Road, London, SE1 8RT.

12. Debtors

	Group 2022 £000	Group 2021 £000
Due after more than one year		
Deferred tax asset (see note 19)	2,763	179
Due within one year		
Prepayment and accrued income	164	18
Total	2,927	197

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

13. Creditors: amounts falling due within one year

	Group 2022 £000	Group 2021 £000
Trade creditors	206	24
Other creditors	4,695	1,146
Senior debt	8,650	8,365
Retention account liability (see note 22)	51,686	-
Accruals and deferred income	8,317	7,445
	<u>73,554</u>	<u>16,980</u>

14. Creditors: amounts falling due after more than one year

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Senior debt	576,960	584,736	-	-
Shareholder loan notes	96,229	97,033	-	-
Retention account liability (see note 22)	-	52,386	-	-
Amounts owed to group undertaking	-	-	63	21
	<u>673,189</u>	<u>734,155</u>	<u>63</u>	<u>21</u>

Amounts owed to group undertaking are subject to a rate of interest at 6% per annum.

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

15. Interest bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings which are measured at amortised cost.

	Nominal interest rate	Year of maturity	Repayment schedule	2022 £'000	2021 £'000
Senior debt – Lender 1	3.534%	2045	51 instalments commencing March 2020	528,920	535,695
Senior debt – Lender 2	3.362%	2044	50 instalments commencing March 2020	56,690	57,406
Shareholder loan notes	2% rising to 7%	2037	21 instalments commencing March 2027	96,229	97,033

The senior debt is secured by a fixed and floating charge over the assets of Rock Rail East Anglia plc Limited.

The maturity profile of the carrying amount of non-current interest-bearing loans and borrowings at 31 December 2022 was as follows:

	Group 2022 £000	Group 2021 £000
In more than one year and less than two	8,204	8,650
In more than two years and less than five	40,760	24,128
In more than five years	624,225	648,991
	<u>673,189</u>	<u>681,769</u>

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

16. Analysis of changes in net debt

Group

	1 January 2022 £'000	Cash flow £'000	Non-cash changes £'000	31 December 2022 £'000
Cash and cash equivalents				
Cash	98,584	3,241	-	101,825
	98,584	3,241	-	101,825
Interest bearing loans and borrowings				
Due within one year	(8,365)	8,365	(8,650)	(8,650)
Due after one year	(681,769)	-	8,580	(673,189)
	(690,134)	8,365	(70)	(681,839)
Total net debt	(591,550)	11,606	(70)	(580,014)

17. Financial risk management

The key financial risks affecting the Group, and the policies in place to mitigate them, are set out below:

Liquidity risk

The Group manages its liquidity risk by monitoring detailed cash flow forecasts which highlight liquidity issues to ensure funds are available when required.

Interest rate risk

The Group utilises a mixture of fixed senior debt and shareholder debt financing to mitigate its exposure to interest rate risk.

Contract risk

The obligation to fund the purchase of the trains has been fully met through fixed rate loans, all of which have been drawn down in line with the terms of its agreements. Cashflow is carefully monitored against the operating budget and the available financing.

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

18. Operating lease - lessor

Rolling stock assets are let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	Group 2022 £'000	Group 2021 £'000
Less than one year	35,531	35,531
Between one and five years	65,205	100,736
More than five years	-	-
	100,736	136,267

During the year operating lease rentals of £35,531k (2021: £35,531k) was recognised as income by the Company. Current lease matures in October 2025 and has option to extend for one year.

19. Deferred tax asset

Group

	2022 £'000	2021 £'000
At 1 January 2022	179	(2,031)
Adjustment from previous periods	-	-
Credited to profit and loss	2,584	2,210
At 31 December 2022	2,763	179

The deferred tax asset is made up as follows:

	2022 £'000	2021 £'000
Accelerated capital allowances	(5,782)	(8,576)
Short term timing differences	6,309	5,269
Tax losses carried forward	2,236	3,486
Balance at the end of year	2,763	179

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

20. Share capital

	2022 £'000	2021 £'000
Shares classified as equity		
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	50	50

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

21. Reserves

Profit and loss account

The reserve represents cumulative profits and losses of the Group.

22. Financial commitments

The Group holds £51.7m (2021: £52.4m) in a ring-fenced bank account included as part of cash and cash equivalents on the balance sheet. At 31 December 2022, the balance represents a retention the Group is contracted to pay to the manufacturer of the Group's rolling stock after outstanding works identified at the Qualified Provisional Acceptance Certificate ('QPAC') handover stage have been rectified. This is forecast to happen in 2023.

23. Related party transactions

The Group has taken advantage of exemptions conferred by FRS 102 from the requirement to make disclosures concerning 100% owned group undertakings in connection with group transactions.

During the year to 31 December 2022, the Group incurred charges for management services of £575k (2021: £535k) payable to Rock Rail East Anglia Management Limited, a shareholder of Rock Rail East Anglia (Holdings) 1 Limited, the ultimate holding company of Rock Rail East Anglia plc. The payments are made on arm's length terms under a contract between Rock Rail East Anglia plc and Rock Rail East Anglia Management Limited. At the year end, there were no amounts due to Rock Rail East Anglia Management Limited.

24. Subsequent events

There have been no material events or circumstances that have occurred after the balance sheet date, but prior to the signing of the financial statements that require disclosure or adjustment to balances and transactions that existed at the balance sheet date.

ROCK RAIL EAST ANGLIA (HOLDINGS) 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

25. Ultimate controlling party

The Company is a subsidiary of Mallard Investments LLP. Mallard Investments LLP is a joint venture between SL Capital Infrastructure I LP and GLIL Infrastructure LLP. The ultimate controlling party as at 31 December 2022 was abrdn plc (formerly Standard Life Aberdeen plc), by virtue of its shareholding in the general partner of SL Capital Infrastructure I LP.