

Company Registration Number: 11620230

Rail Capital Markets Public Limited Company
STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2022

SATURDAY



ACCN4LG9

A27

23/09/2023

#92

COMPANIES HOUSE

Rail Capital Markets Public Limited Company

CONTENTS

	Page
Company information	2
Strategic report	3-6
Directors' report	7-8
Statement of directors' responsibilities	9
Independent auditors' report	10-14
Statement of comprehensive income	15
Statement of financial position	16
Statement of changes in equity	17
Statement of cash flows	18
Notes to the financial statements	19-26

Rail Capital Markets Public Limited Company

COMPANY INFORMATION

For the year ended 31 December 2022

The board of directors

Joint Corporate Services Limited
TMF Corporate Directors Limited
Benjamin Fielding (appointed on 4 October 2022)
Vincent Cheshire (resigned on 4 October 2022)

Company secretary

TMF Corporate Administration Services Limited

Registered office

c/o TMF Global Services (UK) Limited
13th Floor, One Angel Court
London
EC2R 7HJ

Independent auditors

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London
E1W 1YW

Corporate service provider

TMF Global Services (UK) Limited
13th Floor, One Angel Court
London
EC2R 7HJ

Bankers

The Bank of New York Mellon
One Canada Square
London, E14 5AL

Registered number

11620230 (England & Wales)

Rail Capital Markets Public Limited Company

STRATEGIC REPORT

For the year ended 31 December 2022

The directors present their strategic report on the affairs of Rail Capital Markets Public Limited Company (the "Company" or the "Issuer") together with the audited financial statements for the year ended 31 December 2022.

Principal activities, review of business and future developments

The Company was incorporated in the United Kingdom on 12 October 2018, as a public company with limited liability under the Companies Act 2006 with the registration number 11620230. The Company is a special purpose entity which was established in order to issue US\$500,000,000 8.25% loan participation notes on 9 July 2019 with a further fungible tap issuance of US\$94,902,000 on 13 September 2019, totalling US\$594,902,000 (the "Initial Notes") and listed on Dublin Euronext. The proceeds were used to grant a term loan (the "Initial Loan") on the terms and conditions as set out in the loan agreement dated 5 July 2019 between the Company, and Joint Stock Company (Ukrainian Railways) (the "Borrower").

Interest on the Initial Notes is calculated at 8.25% and the Initial Loan is due at 8.684% per annum payable semi-annually in arrears in January and July. Further to the amendments to the Initial Notes and Initial Loan documents in the period under review, the Company and the Borrower extended the transaction maturity to July 2026 and amended the terms thereof to have the right to defer interest payments until the end of the "Support Period". Interest which is deferred itself continues to accrue interest at the relevant rate of interest. The deferred interest together with its accrued interest will fall due at the end of the Support Period on 9 January 2025. At the end of the Support Period, the deferred amount can be capitalised and added to the respective amounts of loan or note in issue at such date.

The Company issued further US\$300,000,000 7.875% loan participation notes on 15 July 2021 (the "Further Notes" and together with the "Initial Notes", the "Notes"). The proceeds were used to grant a further term loan (the "Further Loan") on the terms and conditions as set out in the Loan Agreement dated 13 July 2021 between the Company, and the Borrower.

Interest on the Further Notes is calculated at 7.875% and the Further Loan is due at 8.289% per annum payable semi-annually in arrears in January and July. The same amendments with regards to the payment of interest were agreed by the noteholders of the Further Notes, and the Support Period mechanism applies equally. The maturity was extended to July 2028. The end of the Support Period for the Further Notes aligns with the interest payment date on 15 January 2025.

As part of the same suite of document changes that implemented the Support Period, the trustee for both issuances of Notes was changed to GLAS Trustees Limited effective 28 December 2022.

Further details on the Notes are provided in note 10 of these financial statements. The Company's future plans, and business operations are solely in relation to the servicing of the Loans, being funded by the Notes until maturity.

Covid-19

Whilst the Covid-19 pandemic continued to impact on certain parts of the global economy during 2022, restrictions are now lifted in all major economies. There was no material Covid-19 related impact on the Company during 2022 nor is any anticipated for 2023

Events after the reporting period

The implementation of the Support Period was finalised post-year end, but applicable to the interest payment period following the July 2022 payments. In January 2023, a consent solicitation fee was due to the relevant noteholders who had voted in favour of the changes to the Notes and was duly settled.

Principal risks and uncertainties

The Company is a securitisation company which has been structured so as to avoid, as far as possible, significant financial risk. Its principal risks and uncertainties are linked with those of the Borrower. The main risks are discussed in the section "Political instability in Ukraine".

Certain estimates in the financial statements are based wholly or in part on estimates or assumptions made by the directors, taking into consideration the current market and economic conditions. There is, therefore, a risk that these may be subject to change in future periods.

The Company's financial risk management objectives and policies are set out in note 12.

Promoting the success of the Company

Section 172 of the Companies Act 2006 requires directors to explain how they have taken into consideration the interests of stakeholders in their decision making. The directors continue to have regard to the interests of the Company's shareholders and other stakeholders, including the impact of its activities on the community, the environment, and the Company's reputation, when making decisions.

Acting in good faith, the directors consider what is most likely to promote the success of the Company for its members in the long term, however they are limited as to the extent of their decision making due to the unique structural operations of the Company.

Rail Capital Markets Public Limited Company

STRATEGIC REPORT – continued
For the year ended 31 December 2022

Promoting the success of the Company – continued

The Company's strategy, objectives and ongoing operations are defined within the transaction documents, which provide no scope for further activities beyond the original purpose they have been set up to achieve, consequently the directors' role in the Company's strategies and operations becomes more centred on periodic and ongoing monitoring to ensure that the Company's objectives have not deviated from the original purpose that it has been set out to achieve.

Following from this, the Company has no employees, and the limited operations of the business result in almost negligible impact on the community and the environment, so are not applicable in the director's ongoing monitoring processes.

The Company's members are one entity, who have expressed their expectations of the Company within the legally bound transaction documents to which all parties involved are bound by; this again provides very little scope for the directors to make active decisions on.

The Company has no customers or suppliers other than the Borrower and the Noteholders and the service providers under the transaction documents. All third-party rights and responsibilities are fully defined and documented in the note issuance and ancillary documents. The Company will make the necessary enquiries should the situation arise that there have been any deviations from the original signed agreements. These processes also enable the directors to ensure that the Company maintains a reputation for high business standards.

Political instability in Ukraine

The Borrower conducts its operations in Ukraine.

In February 2022, Russia began a full-scale invasion of Ukraine, significantly escalating the ongoing conflict between Russia (together with so-called separatist forces) and Ukraine, which began in February 2014 when it initially focused on Crimea and the Donbas region (which was internationally recognized as part of Ukraine). The invasion has been heavily condemned by the international community, with many countries imposing economic sanctions on Russia and assisting Ukraine by providing both lethal and non-lethal aid. A new suite of economic sanctions (being the 11th such since the launch of the invasion in February 2022) and further monetary aid was agreed by the EU on 21 June 2022.

The rail infrastructure has provided key elements of the Ukrainian mobilization: moving forces and supplies into conflict zones and assisting with the evacuation of civilians. However, there have been losses to the infrastructure owing to both intentional flooding and demolition of bridges by Ukrainian forces to halt the Russian advance and as a result of fighting.

During the year, the Borrower was able to obtain special dispensation from the capital controls which had been imposed following the Russian invasion of Ukraine in order to be able to settle all amounts due to the Company under the loan agreements and the fees letters. The published credit ratings of the Notes were downgraded in December 2022 to C. Fitch Ratings has downgraded JSC Ukrainian Railways (UR) Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'Restricted Default' (RD) from 'C' following the execution of the consent solicitation to defer its debt servicing of its US dollar loan participation notes (LPN) maturing in 2024 and 2026.

Fitch has also downgraded the Long-Term Local-Currency IDR to 'RD' from 'C' and lowered the Standalone Credit Profile (SCP) to 'rd' from 'c'. Fitch views the consent solicitation as a distressed debt exchange (DDE).

At the end of 2022, and effective following the consent payment made on 27 January 2023, the maturity of the Notes and respective Loans were extended by two years to 9 July 2026 for the USD594.9 million 8.250% (now: 2026-LPN, ISIN: XS1843433472) and 15 July 2028 for the USD300 million 7.875% (now: 2028-LPN, ISIN: XS2365120885) notes. The coupon payment has been deferred by 24 months, until 9 January 2025 for 2026-LPN and 15 January 2025 for 2028-LPN.

Further social and economic development depends on the timing of the end of the Russian war against Ukraine and pace of the country's post-war rehabilitation. Military aggression has a negative impact on the Borrower financial position and its performance after the reporting date in a manner that cannot be reliably estimated at the date of the authorization of these financial statements. The Borrower's management is monitoring the current situation due to military aggression and is taking measures to minimise the negative consequences as much as possible.

From the beginning of the war, the Borrower has concentrated on physical safety of its employees and passengers and sustainability of railway transportation as a critical infrastructure for Ukrainian economy. As the Borrower is a critical entity for Ukraine, it is substantially involved into national civil protection system during war time, including evacuation of civilians and transportation of humanitarian aids. It participates in ensuring national security and defence capabilities of the country and is thus substantially supported by the state authorities.

According to the order of the Cabinet of Ministers of Ukraine No. 193 dated 3 March 2022 budget financing of UAH 18,006 million was approved for transfer from the reserve fund of the state budget to ensure continuous operations of the Borrower and to support measures of national significance during 2022.

Rail Capital Markets Public Limited Company

STRATEGIC REPORT – continued
For the year ended 31 December 2022

Political instability in Ukraine – continued

As a consequence of hostilities, the Borrower incurred unplanned expenses related to the evacuation of civilians, transportation of humanitarian aid as well as direct damage, destruction and loss of assets. In order to curb the Russian military invasion, certain railway infrastructure objects were destroyed. In March 2022, the railway connection with the Republic of Belarus was also completely stopped. Missile and artillery strikes damaged certain railway assets throughout the country. As a result of the temporary occupation of certain territories in Donetsk, Luhansk,

Kharkiv, Zaporizhzhia and Kherson regions, access to and control over part of the Borrower assets is temporarily or completely limited. As a result of the full-scale military invasion, cargo and passenger revenues were reduced 2022 by more than 12% compared to 2021.

Results and dividends

The results for the period and the Company's financial position at the end of the period are disclosed on pages 14 and 15. The loss for the reporting period after taxation amounted to US\$723,668,557(2021:US\$4,788,761), predominantly due to the impairment loss provision recognised in accordance with IFRS 9 on a future loss basis along with modified gain as set out in note 8.

Key performance indicators

The main performance indicator is the extent of payments of interest and principal from the Borrower. As at the date of this report, all contractually obliged payments have been paused. The payments due and payable in the period have been duly settled. Following the last interest payments made in July 2022, there are no contractual interest payments due until January 2025, and the principal repayments are not due until 2026 and 2028 for the Initial and Further Notes respectively. During the period, the Borrower met all contractual obligations under the fees letters, which are key to continue the operations of the Company until the end of the Support Period. Other key performance indicators for the Company are net interest income and the impairment provision recognised against the Loans to the Borrower. The net interest expense for the year is US\$33,448,401 (2021:US\$3,467,883) with an impairment provision of US\$705,568,872 (2021: US\$5,262,024) and modification gain of US\$19,076,480 (2021:nil) recognised in the financial year in respect of the Loans due to an associated increase in the probability of default and loss given default.

Impairment assessment

The directors consider that there has been significant increase in credit risk ('SICR') since initial recognition was identified, and therefore the financial asset should be moved to 'Stage 2'. The Company is not credit impaired.

Given the significant uncertainties surrounding the outcome of the hostilities in Ukraine, the directors consider it prudent to impair the losses in line with market rates on the bond. The directors believe, having considered the possible scenarios and the relative impairments and likelihood in each case, that the prudent approach would be to look to the market indicator of recoverability. While the loans are not directly traded, the securitisation in this instance is a pure pass-through of funds on each IPD, so it is sensible to consider that the market value of one should be broadly the same as the other.

Impairment conclusion and calculations

Market price of notes at 31 December 2022 is US\$169,025,149.

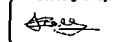
Total Impairment for the Year ended 31 December is US\$705,568,872 and modification gain of US\$19,076,480 as set out in note 8.

As at 31 December 2022

	Rate	Bloomberg rate	Carrying Value	Fair Value
Loan to the Borrower (i)	8.25%	19.08%	111,334,480	113,525,149
Loan to the Borrower (ii)	7.88%	18.50%	57,995,862	55,500,000
			<u>169,025,149</u>	<u>169,025,149</u>
Notes(i)	8.25%	19.08%	606,893,339	113,525,149
Notes (ii)	7.88%	18.50%	305,764,777	55,500,000
			<u>894,745,334</u>	<u>169,025,149</u>

For and on behalf of the board:

DocuSigned by:

 3C7110870345438...

Isobel Coley

for and on behalf of Joint Corporate Services Limited

Director

September 2023

Rail Capital Markets Public Limited Company

DIRECTORS' REPORT

For the year ended 31 December 2022

The directors present their report on the affairs of the Company together with the financial statements for the year ended 31 December 2022.

Corporate governance

The directors have been charged with governance in accordance with the prospectuses describing the structure and operation of the transactions. The governance structure of the Company is such that the key policies have been predetermined at the time of issuances and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposal, for maintaining adequate accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with their regulatory obligations.

Due to the nature of the securities which have been issued on the Dublin Euronext, the directors consider that the disclosure requirements of the Irish Corporate Governance Annex, the provisions of the UK Corporate Governance Code and the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority, with the exception of DTR 7.2.5, are not consistent with the nature of the securities and the Company therefore does not comply. TMF Global Services (UK) Limited provides corporate services and directorship services to the Company; the provision is set out in the corporate services agreement. TMF Global Services (UK) Limited is ISO certified with respect to data security and information management, and the established internal controls and policies within TMF Global Services (UK) Limited equally apply to the management of the Company.

The directors are therefore satisfied that there is no requirement for an audit committee or to publish a corporate governance statement.

Directors and their interests

The directors of the Company who were in office during the period and up to the date of signing the financial statements, were:

Joint Corporate Services Limited

TMF Corporate Directors Limited

Benjamin Fielding (appointed on 4 October 2022)

Vincent Cheshire (resigned on 4 October 2022)

None of the directors have any beneficial interest in the ordinary share capital of the Company. None of the directors had any interest either during or at the end of the year in any material contract or arrangement with the Company.

No dividends were declared or paid by the Company during the financial period and the directors do not propose a final dividend (2021: nil).

Company secretary

The Company Secretary during the reporting period, and subsequently, was TMF Corporate Administration Services Limited.

Going concern

The deferral of the coupon payment on the Notes means that the going concern of the entity in the short-term is predicated only on being able to service ongoing costs and expenses associated with the running of the Company. These fees are covered by the Borrower under a fees letter. Thus the ability of the Borrower to service these costs is key to the Company's ability to continue as a going concern.

The directors have reviewed the recent published accounts from the Borrower, and concluded that, even in the event of a significant deterioration in the situation in Ukraine, the key infrastructure provided by the Borrower will ensure that the Borrower is supported by the Ukrainian government to itself continue.

The Company currently has a net deficit position which is primarily due to the impairment provision which has been recognised in accordance with IFRS 9: Financial Instruments. This has been calculated under a lifetime expected credit losses based on the most conservative approach. The directors have considered this in their assessment and do not believe that this measure is wholly indicative of the future performance of the loans, although there is a material uncertainty over the future performance of the Borrower given the adverse economic conditions which were brought on by the ongoing conflict.

Having considered all the information available, the Directors have continued to adopt the going concern basis in preparing the financial statements and consider that the Company will be in a position to repay all liabilities in the next 12 months and beyond as they fall due.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity is currently in force.

Rail Capital Markets Public Limited Company

DIRECTORS' REPORT – continued

For the year ended 31 December 2022

Employees

The Company had no employees during the current period. TMF Corporate Administration Services Limited performs the Company's secretarial functions. TMF Global Services (UK) Limited provides corporate and administration services.

Political donations

The Company made no political donations during the period under review (2021: nil).

Statement of disclosure of information to the auditors

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

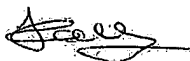
Independent auditors

UHY Hacker Young LLP were reappointed as auditor during the year in accordance with Section 487(2) of the Companies Act 2006.

UHY Hacker Young LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with Section 487(2) of the Companies Act 2006 unless the Company receives notice under Section 488(1) of the Act.

For and on behalf of the board:

DocuSigned by:



3C7110970345439...

Isobel Coley

for and on behalf of Joint Corporate Services Limited
Director

Rail Capital Markets Public Limited Company

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2022

The directors are responsible for preparing the strategic report, directors' report and financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK- Adopted International Accounting Standards (IAS).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable
- state whether they have been prepared in accordance with UK- Adopted International Accounting Standards (IAS).
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and;
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

For and on behalf of the board:

DocuSigned by:



3C7110970345439...

Isobel Coley

for and on behalf of Joint Corporate Services Limited
Director

20 September 2023

Rail Capital Markets Public Limited Company

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RAIL CAPITAL MARKETS PLC For the year ended 31 December 2022

Opinion

We have audited the financial statements of Rail Capital Markets Plc (the 'Company') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Statement of financial position, Statement of Changes in Equity, and Statement of Cash Flows and notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern,

We draw attention to the going concern section of the Summary of Significant Accounting Policies in note 2 to the financial statements which indicates that since 24 February 2022, the Ukrainian Railways (the Borrower) operation has been negatively affected by the ongoing full-scale military invasion of Ukraine, with the magnitude of further developments or the timing of its cessation being uncertain.

The company has incurred an operating loss after tax of USD\$723,668,557 for the year ended 31 December 2022. There is a material uncertainty over the future performance of the Borrower given the adverse operational conditions and the associated impact that this will have on the underlying financial performance of the Borrower to meet their ongoing obligations under the transaction documentation. This places doubt on the ability to preserve the recoverability and fund the business for 12 months. These events, along with the other matters explained in note 2 of the Company financial statements, constitute a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

The financial statements do not include adjustments (such as impairment of assets) that would result if the Company were unable to continue as a going concern.

Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the director's assessment of the Company's ability to continue to adopt the going concern basis of accounting included an assessment of the risk and audit procedures to address this risk:

The risk

The company is a special purpose entity established in order to issue loan participation notes on Dublin Euronext and lend the proceeds on to the Borrower. The company's activities are solely in relation to the servicing of the loans. The ability of the entity to service the loans is entirely linked to the financial position of the Borrower. As outlined above, military invasion in Ukraine has had a significant impact on the operation of the Borrower.

Given the above factors, we consider going concern to be a significant audit risk area. The directors' conclusion of the risks and circumstances described in the Going Concern section of the Principal Accounting Policies of the Company financial statements represent a material uncertainty over the ability of the Company to continue as a going concern for a period of at least a year from the date of approval of the financial statements. However, clear and full disclosure of the facts and the directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.

Rail Capital Markets Public Limited Company

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RAIL CAPITAL MARKETS PLC – continued For the year ended 31 December 2022

How our audit addressed the risk:

Our audit procedures included:

- Assessing the transparency and the completeness and accuracy of the matters covered in the going concern disclosure by evaluating management's cash flow projections for the next 12 months and the underlying assumptions.
- We obtained cash flow forecasts, reviewed the methodology behind these, ensured arithmetically correct and challenged the assumptions.
- We evidenced post year end interest income and payments and agreed these to the cashflow forecasts.
- We reviewed the latest financial information available for the Borrower.

Key observations:

The ability of the entity to service the loans is entirely linked to the financial position of the Borrower.

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

Emphasis of matter – Loan impairment

In forming our opinion on the financial statements, which is not modified, we have considered the provision made by the directors for the impairment of the loans receivable. As discussed in note 8 and 12 to the financial statements, the credit ratings for the listed notes -changed significantly from B to C in the year the probability of default and loss given default increased significantly during the year, therefore the impairment provision has subsequently been revised to \$725,977,101 (2021: \$20,428,229) at the year end. This is however an estimate and may deviate from actual results. This has resulted in a debit to the income statement of \$705,568,872 in the reporting period. Our opinion is not qualified in respect of this matter.

Our approach to the audit

We designed our audit by obtaining an understanding of the Company and its environment and assessing the risk of material misstatement in the financial statements. When assessing the risk of material misstatement, we consider whether the directors made judgments or assumptions that are, by their nature, subjective. The scope of our audit was influenced by the level of materiality we determined.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account an understanding of their activities, the accounting processes and controls, and the industry in which they operate. Our planned audit testing was directed accordingly and was focused on areas where we assessed there to be the highest risk of material misstatement. During the audit we reassessed and re-evaluated audit risks and tailored our approach accordingly. The audit testing included substantive testing on significant transactions, balances and disclosures, the extent of which was based on various factors such as our overall assessment of the control environment, the effectiveness of controls and the management of specific risk.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant findings, including any significant deficiencies in internal control that we identify during the audit.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified during our audit. Going concern is a significant key audit matter and is described above. In arriving at our audit opinion above, the other key audit matter includes;

Valuation and recoverability of loans receivable and expected credit losses under IFRS 9.

Rail Capital Markets Plc has lent funds totalling US \$894,902,000 to the controlling company Ukrainian Railways which are due for redemption in 2026 and 2028. The provision for impairment on this loan totals \$725,977,101, which has been recognised in accordance with IFRS 9. Due to the military invasion in Ukraine which has significantly deteriorated the situation in the country, the published credit ratings of the Notes were downgraded in December 2022 to C. Management's assessment for recoverability of the loan and calculation of expected credit losses involves significant judgements and assumptions, such as probability of default, loss given default, extent and probability of future cash flows. There is a risk that the controlling company may default on their loan repayments or interest payments and therefore the loan may be impaired in excess of the current expected credit losses. The value of these loans makes them a key audit matter as there is a significant risk of default on the loan repayments.

Rail Capital Markets Public Limited Company

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RAIL CAPITAL MARKETS PLC – continued For the year ended 31 December 2022

Our audit work included, but was not restricted to;

- Challenging the appropriateness of the methodology applied by management in their assessment of the recoverable amount by recalculating the expected credit losses in line with IFRS 9 and comparing it to the accounting policy;
- Obtaining the financial statements of the Ukrainian Railway and agreeing the amount payable to Rail Capital Markets plc. Obtaining a balance confirmation from the Ukrainian Railway;
- An assessment of the financial statements of the Ukrainian Railway to evaluate their ability to repay the loan balances;
- Reviewing the board minutes of the company and any associated papers to ensure no matters arising from the minutes which would cast doubt on the recoverability of the loan balances;
- Verifying the repayments during the year and post year end to ensure the Ukrainian Railway is complying with the terms of the loan agreement;

Key observations,

The current year expected credit loss assessment resulted in an increase of previously recognised expected credit losses by \$705,568,872. The credit ratings changed significantly from B to C on the listed Notes and the probability of default and loss given default increased significantly during the year which resulted in an increase in provision of expected credit losses, the probability of default and loss given default increased during the year which resulted in an increase in provision of expected credit losses. Our work did not reveal any issues relating to the borrower's ability to repay the carrying value of the loan or any further expected credit losses. We believe that the loan receivable amounts are materially correct and comply with the Company's accounting policies. An emphasis of matter paragraph related to loan impairment has been included in the auditor's report to highlight this matter.

Our application of materiality,

The scope and focus of our audit was influenced by our assessment and application of materiality. We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the financial statements.

We define financial statement materiality as the magnitude by which misstatements, including omissions, could reasonably be expected to influence the economic decisions taken on the basis of the financial statements by reasonable users.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole as follows:

Overall materiality	2022: \$1,020k (2021: \$4,555k)
How we determined it	2022: 0.5% total assets (2021: 0.5% total assets) A low percentage has been used due to the political instability in the Ukraine.
Rationale for benchmark,	We believe that the use of total assets is the most appropriate basis as total assets are used as the recoverability of the loan to the Borrower is key to the users of the financial statements i.e. the investors who hold the notes issued by the company, are focused on the valuation of the underlying assets, revenue/profit measures are less relevant given the nature of company's activities i.e. a special purpose vehicle not incorporated to generate profits.
Performance materiality	On the basis of our risk assessment, together with our assessment of the company's control environment, our judgement is that performance materiality for the financial statements should be 50% of materiality, and was set at \$510k (2021: \$2,278k). The level of performance materiality is based on our overall risk assessment which also takes into account the political instability in the Ukraine.

We agreed with the Board of Directors that we would report to them misstatements identified during our audit above \$51,000 (2021: \$227,750) as well as misstatements below that amount that, in our opinion, merited reporting on qualitative grounds. We also reported to the Board of Directors any disclosure matters that we identified when assessing the overall presentation of the financial statements.

Rail Capital Markets Public Limited Company

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RAIL CAPITAL MARKETS PLC – continued **For the year ended 31 December 2022**

Other information,

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006,

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

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

Matters on which we are required to report by exception,

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

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

Responsibilities of directors,

As explained more fully in the statement of directors' responsibilities 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, and for internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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.

Rail Capital Markets Public Limited Company

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RAIL CAPITAL MARKETS PLC – continued

For the year ended 31 December 2022

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below;

Based on our understanding of the Company and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related Companies Act 2006 and listing rules in Dublin Euronext might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as 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 valuation and recoverability of loans receivable and expected credit losses under IFRS 9.

Audit procedures performed included: review of the financial statement disclosures to underlying supporting documentation, enquiries of management and in so far as they related to the financial statements, confirmation of the receivable balances from the borrower, assessment of the borrowers' ability to repay the loans, verifying receipts during the year and post year to ensure the borrower is complying with the terms of the agreement, and testing of journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. 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 Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address,

We were re-appointed by Rail Capital Markets Plc on 9 May 2023.

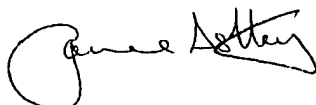
The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Board of Directors.

Use of our report,

This report is made solely to the Company's members, as a body, in accordance with part 3 of Chapter 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.

James Astley (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young
Chartered Accountants
Statutory Auditor
Date: 20 September 2023



Quadrant House
4 Thomas More Square
London E1W 1YW

Rail Capital Markets Public Limited Company

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	Year ended 31 December 2022 US\$	Year ended 31 December 2021 US\$
Interest income	4	57,276,001	63,469,878
Interest expense	5	(90,724,402)	(60,001,995)
Net interest income		(33,448,401)	3,467,883
Impairment loss provision	8	(705,568,872)	(5,262,024)
Modification gain	8	19,076,480	-
Operating expenses	6	(76,976)	(12,770)
Reimbursement for operating expenses		71,336	179,913
Loss before taxation		(719,946,433)	(1,626,998)
Taxation	7	(3,722,124)	(3,161,763)
Loss for the year after taxation		(723,668,557)	(4,788,761)
Other comprehensive income		-	-
Loss and total comprehensive expense for the financial year		(723,668,557)	(4,788,761)

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes on pages 18 to 26 form part of these financial statements.

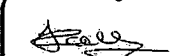
Rail Capital Markets Public Limited Company

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2022

	Note	As at 31 December 2022 US\$	As at 31 December 2021 US\$
NON-CURRENT ASSETS			
Loan to the Borrower	8	169,025,149	874,617,989
CURRENT ASSETS			
Accrued interest receivable	8	36,150,355	36,315,800
Other debtors	8	178,323	224,500
Cash at bank	9	57,276	17,517
TOTAL CURRENT ASSETS		36,385,954	36,557,817
TOTAL ASSETS		205,411,103	911,175,806
NON-CURRENT LIABILITIES			
Notes	10	912,658,116	894,645,472
CURRENT LIABILITIES			
Accrued interest payable	10	34,342,805	34,335,462
Accruals and other creditors	10	65,411	68,446
Tax payable	10	1,705,346	1,818,444
TOTAL CURRENT LIABILITIES		36,113,562	36,222,352
TOTAL LIABILITIES		948,771,678	930,867,824
NET LIABILITIES		(743,360,575)	(19,692,018)
EQUITY			
Share capital	11	16,431	16,431
Accumulated losses		(743,377,006)	(19,708,449)
TOTAL EQUITY		(743,360,575)	(19,692,018)
TOTAL EQUITY AND LIABILITIES		205,411,103	911,175,806

DocuSigned by:



3C7110970345439...

The financial statements are approved and authorised for issue by the board of directors on 20 September 2023 and signed on its behalf by: Isobel Coley
for and on behalf of Joint Corporate Services Limited.
Director

The notes on pages 18 to 26 form part of these financial statements.

Rail Capital Markets Public Limited Company

STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2022

Attributable to equity holders of the Company

	Share Capital US\$	Accumulated losses US\$	Total US\$
Balance as at 31 December 2020	16,431	(14,919,688)	(14,903,257)
Total comprehensive loss for the period	-	(4,788,761)	(4,788,761)
Balance as at 31 December 2021	16,431	(19,708,449)	(19,692,018)
Total comprehensive loss for the year	-	(723,668,557)	(723,668,557)
Balance as at 31 December 2022	16,431	(743,377,006)	(743,360,575)

The notes on pages 18 to 26 form part of these financial statements.

Rail Capital Markets Public Limited Company

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Year ended 31 December 2022 US\$	Year ended 31 December 2021 US\$
Cash flows from operating activities		
Loss before tax	(719,946,433)	(1,626,998)
Adjustments for:		
Amortisation	37,113,092	(82,656)
Impairment provision	705,568,872	5,262,024
Modification gain	(19,076,480)	-
Decrease in other debtors	46,177	(61,717)
Foreign exchange movement	(1,403)	(1,383)
Decrease in accruals and other creditors	(3,035)	(97,066)
(Decrease)/ Increase in interest expense payable	(105,754)	11,464,254
Decrease/ (Increase) in interest income receivable	165,445	(11,687,603)
Withholding Tax deducted at source	(3,720,794)	(3,160,433)
Net cash generated from operating activities	39,687	8,422
Tax paid	-	-
Cash flows from investing activities		
Interest received	72,704,487	49,079,469
Loan to the Borrower	-	(300,000,000)
Net cash used in investing activities	72,704,487	(250,920,531)
Cash flows from financing activities		
Interest paid	(72,704,415)	(49,079,415)
Issuance of loan Notes	-	300,000,000
Net cash generated from financing activities	(72,704,415)	250,920,585
Net increase in cash and cash equivalents	39,759	8,476
Cash and cash equivalents at beginning of the financial year/ period	17,517	9,041
Cash and cash equivalents at end of financial year/ period	57,276	17,517

The notes on pages 18 to 26 form part of these financial statements.

Rail Capital Markets Public Limited Company

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

The Company is a public limited company limited by shares incorporated on 12 October 2018 and registered in England with registration number 11620230. The Company is a special purpose entity and its registered office is 13th Floor, One Angel Court, London, United Kingdom, EC2R 7HJ.

The Company was established in order to issue loan participation Notes, the proceeds from which were used to grant Loans to the Borrower, being Ukrainian Railways under control of the State Administration of Railways Transport of Ukraine (the "Borrower") and existing under the laws of Ukraine.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation

The Company's financial statements have been prepared in accordance with UK-Adopted International Accounting Standards (IAS), IFRIC Interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. As explained in the directors' report, the directors consider it appropriate for the financial statements to be prepared on a going concern basis.

New and revised Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the company has not early adopted the following amendments to Standards and Interpretations that have been issued but are not yet effective:

Standard or Interpretation	Effective for annual periods commencing on or after
<i>Amendments to IAS 1: Classification of Liabilities as Current or Non-Current</i>	1 January 2023
<i>Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies</i>	1 January 2023
<i>Amendments to IAS 8: Definition of Accounting Estimates</i>	1 January 2023
<i>Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction.</i>	1 January 2023

As yet, none of these have been endorsed for use in the UK and will not be adopted until such time as endorsement is confirmed. The directors do not expect any material impact as a result of adopting the standards and amendments listed above in the financial year they become effective.

Going concern

The deferral of the coupon payment on the Notes means that the going concern of the entity in the short-term is predicated only on being able to service ongoing costs and expenses associated with the running of the Company. These fees are covered by the Borrower under a fees letter. Thus, the ability of the Borrower to service these costs is key to the Company's ability to continue as a going concern.

The directors have reviewed the recent published accounts from the Borrower, and concluded that, even in the event of a significant deterioration in the situation in Ukraine, the key infrastructure provided by the Borrower will ensure that the Borrower is supported by the Ukrainian government to itself continue.

The Company currently has a net deficit position which is primarily due to the impairment provision which has been recognised in accordance with IFRS 9: Financial Instruments. This has been calculated under a lifetime expected credit losses based on the most conservative approach. The directors have considered this in their assessment and do not believe that this measure is wholly indicative of the future performance of the loans, although there is a material uncertainty over the future performance of the Borrower given the adverse economic conditions which were brought on by the ongoing conflict.

Having considered all the information available, the Directors have continued to adopt the going concern basis in preparing the financial statements and consider that the Company will be in a position to repay all liabilities in the next 12 months and beyond as they fall due.

Presentation and functional currency

The Company's main transactions are in US dollars and therefore the functional and presentational currency used by the Company is US dollars. All amounts, unless otherwise stated, have been rounded to the nearest US dollar.

Rail Capital Markets Public Limited Company

NOTES TO THE FINANCIAL STATEMENTS – continued For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Critical accounting estimates and judgements

Preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Impairment of the Loans to the Borrower as explained in the Loans to the Borrower section below is considered an area where assumptions and estimates are significant to the financial statements and a higher degree of judgement and complexity are involved.

Compliance with the International Financial Reporting Standards

The financial statements have been prepared in accordance with UK-Adopted International Accounting Standards (IAS), interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and requirements of the Companies Act 2006.

Segmental analysis

The whole Company's operations are carried out in the United Kingdom and the results and net assets are derived from its investment in the Loans to the Borrower, which as stated in note 8, is due from an entity based in Ukraine.

Loans to the Borrower

The Loans to the Borrower have been classified as loans and receivables. They are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income in accordance with IFRS 9: Financial Instruments with a corresponding reduction in the Loans to the Borrower.

IFRS 9 brings together all three aspects of accounting for financial instruments: classification and measurement, impairment and hedge accounting.

Classification and measurement:

The Loans to the Borrower represents amounts paid by the Company to the Borrower under a basic lending arrangements with contractually obliged repayments of principal and interest as detailed in the transaction documentation. The Loans to the Borrower, being financial assets classified in accordance with the provisions of IFRS 9 meet the criteria of a 'hold to collect' business model and features contractual cashflows which are consistent with the SPPI test 'solely payments of principal and interest'. Accordingly, on initial recognition of the Loans, the fair value model is adopted and then subsequently measured at amortised cost using the effective interest rate method.

Impairment:

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. Given that the Ukrainian forces have held out thus far against the larger foe, which has not been able to take and hold territory in line with it stated aims, and the support provided to Ukraine by its allies, a total Russian victory would surprise most at this point. Notwithstanding, given the uncertainty, the directors consider it prudent to impair the losses in line with market rates on the bond. The directors believe, having considered the possible scenarios and the relative impairments and likelihood in each case, that the prudent approach would be to look to the market indicators of recoverability.

While the loans are not directly traded, the securitisation in this instance is a pure pass-through of funds on each IPD, so it is sensible to consider that the market value of one should be broadly the same as the other. The credit rating of the Notes deteriorated significantly since issuance to the end of the year which contributed to the impairment provision of US\$705,568,872 (2021: US\$5,262,024) recognised during the year.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with this Standard, an entity shall recalculate the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets) or, when applicable, the revised effective interest rate calculated. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. Therefore, the total impairment includes a US\$19,076,480 modification gain due to the deferral of the contractual cashflows as set out in note 8.

Following this, there has been no corresponding related increase in deferred tax liability since the entity is taxed in accordance with the Taxation of Securitisation Companies Regulations. The impact has been assessed with reference to the PD (probability of default) being applied to the LGD (1 - recovery rate) rates as published by Moody's "Cross-Sector: Annual Default Study: Corporate Default and Recovery rates, 1920 - 2022" and Bloomberg. Both are factors which are forward looking estimates and require a significantly high degree of judgement, therefore an element of deviation is expected from the estimated impact assessment and actual results, although the most conservative approach has been taken with this regard. Subsequent revisions are made to the lifetime expected losses recognised against the loans and receivables in future reporting periods, on the basis of the ongoing annual assessments and the impairment formula based on the underlying data factors, these are recorded in the statement of comprehensive income.

Rail Capital Markets Public Limited Company

NOTES TO THE FINANCIAL STATEMENTS – continued For the year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Notes

The Notes issued are classified as other financial liabilities and are recognised initially at fair value being the principal issued less attributable transaction costs. Subsequent to initial recognition, the Notes are measured at amortised cost with any difference between the initial fair value and the redemption value being recognised in the statement of comprehensive income on an effective interest basis. When the Company exchanges or modifies the terms of its existing liabilities the Company needs to determine whether those revised or modified terms result in a liability that is substantially different. The terms are deemed to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted at the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of terms is accounted for as an extinguishment of the original loan note and recognition of a new note, any costs or fees incurred are taken into account in the calculation of the effective interest rate on the new loan note. If the modification of terms is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying value of the liability and are amortised over the remaining term of the modified liability and any change in the future cash flows, for example the interest rate, is accounted for through a cumulative catch-up adjustment.

Operating expenses

Operating expenses include corporate service fees, accounting fees, audit fees and other professional fees including trustee and paying agents fees which are recognised on an accruals basis.

Share capital

Share capital is issued in Sterling (£) and has been translated at the prevailing rate of US\$1.315 on the date of issuance being 12 and 15 October 2018.

Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank.

Interest income and expense

Interest income and interest expense are determined using the effective interest rate method. The effective interest rate method is a method of calculating the amortised cost of financial assets or financial liabilities and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount.

Tax expense

The charge for taxation is calculated in accordance with "Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)" and takes into account all deferred taxation adjustments arising from timing differences between the treatment of income and expenditure for taxation and accounting purposes which are likely to crystallise in the foreseeable future.

In accordance with the provisions set out in the Convention between the Government of Ukraine and the Government of the United Kingdom of Great Britain and Northern Ireland on Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to taxes on income, the lender can elect which country in which the interest on the loans will be taxed. As set out in the transaction documentation, it was determined that the Borrower would withhold income tax when paying interest. The rate of withholding tax to be applied is 5% for the reporting period under review. Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Foreign currency

Transactions denominated in foreign currencies are translated at the exchange rate on the date of the transaction. At each period end date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the period end date. All differences are taken to the statement of comprehensive income for the reporting period.

3. DIRECTORS AND EMPLOYEES

The Company has no employees (2021: none) and services required are contracted to third parties.

None of the directors received any emoluments during the year for their services to the Company nor received any benefits from the Company. The directors are employed and remunerated by subsidiaries of the TMF Global Services (UK) Limited in respect of their services to the Company. Subsidiaries of the TMF Global Services (UK) Limited who are the appointed corporate service providers as per the offering document are paid an annual corporate fee. For the period under review, fees of US\$22,027 (2021: US\$49,649) were expensed to TMF Global Services (UK) Ltd in respect of corporate services provided to the Company, including provision of directors. There is no appropriate basis on which they can apportion part of this fee applicable to directors' services to the Company.

Rail Capital Markets Public Limited Company

NOTES TO THE FINANCIAL STATEMENTS – continued

For the year ended 31 December 2022

4. INTEREST INCOME

	Year ended 31 December 2022 US\$	Year ended 31 December 2021 US\$
Interest income from Loans to the Borrower	57,273,816	63,469,816
Bank interest income	2,185	62
	<u>57,276,001</u>	<u>63,469,878</u>

The Borrower pays interest semi-annually in January and July in US Dollars on the principal outstanding amount of the Loans at the rate of 8.68422% and 8.28948% annually.

5. INTEREST EXPENSE

	Year ended 31 December 2022 US\$	Year ended 31 December 2021 US\$
Interest expense on the Notes	90,724,402	60,001,995
	<u>90,724,402</u>	<u>60,001,995</u>

Interest expense to the Noteholders is calculated on the principal outstanding amount of the Notes at the rate of 8.25% and 7.875% payable semi-annually in January and July in arrears in US dollars.

6. OPERATING EXPENSES

	Year ended 31 December 2022 US\$	Year ended 31 December 2021 US\$
Operating expenses include the following amounts:		
Auditor's remuneration for statutory audit services	47,691	47,691
Tax compliance services	7,278	7,279
Professional and advisory fees	23,410	(40,816)
Foreign exchange (gains)/losses	(1,403)	(1,382)
	<u>76,976</u>	<u>12,770</u>

All ongoing operating expenses including the audit fees and corporate service fees of the Company are borne by the Borrower where applicable by reimbursing the company for expenses incurred. The reimbursable amounts due are shown as part of the other debtors in note 8 below.

7. TAXATION

(a) Analysis of charge for the financial period

	Year ended 31 December 2022 US\$	Year ended 31 December 2021 US\$
Current tax:		
Current tax charge for the year	3,722,124	3,161,763
Tax expense	<u>3,722,124</u>	<u>3,161,763</u>

(b) Reconciliation of effective tax rate

The charge for the period can be reconciled to the profit per the statement of comprehensive income as follows:

	Year ended 31 December 2022 US\$	Year ended 31 December 2021 US\$
Loss before tax	(719,946,433)	(1,626,998)
Tax at the UK corporation tax rate of 19%	(136,789,822)	(309,130)
Effects of:		
Adjustment in accordance with securitisation tax rules	136,789,822	309,130
Application of Statutory Instrument No 3296. The Taxation of Securitisation Companies Regulation 2006	1,330	1,330
Withholding tax on interest income for the year	3,720,794	3,160,433
Total tax expense reported in the statement of comprehensive income	<u>3,722,124</u>	<u>3,161,763</u>

Rail Capital Markets Public Limited Company

NOTES TO THE FINANCIAL STATEMENTS – continued For the year ended 31 December 2022

TAXATION – CONTINUED

Under the powers conferred by the Finance Act 2005, secondary legislation was enacted in 2006 which ensures that, subject to certain conditions being met, for periods commencing on or after 1 January 2007, corporation tax for 'securitisation company' will be calculated by reference to the profit of the securitisation company required to be retained in accordance with the relevant capital market arrangement. For UK corporation tax purposes, the Company has been considered as a Securitisation Company under the "Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)". Therefore, the Company is not required to pay corporation tax on its accounting profit or loss. Instead, the Company is required to pay tax on its retained profits as specified in the transaction documents and as defined by the "Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)". The annual retained profit is set at £7,000 under the terms of the securitisation documentation. This has been pro-rated to £3,500 for the period since 5 July 2019 when the Company made its first loan.

The directors are satisfied that this Company meets the definition of a 'securitisation company' as defined by both the Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise.

As set out in the transaction documentation, it was determined that the Borrower would withhold income tax when paying interest. The rate of withholding tax to be applied is 5% for the reporting period under review.

8. LOANS, ACCRUED INTEREST INCOME AND OTHER RECEIVABLES

	As at 31 December 2022		As at 31 December 2021	
	Current	Non-current	Current	Non-current
	US\$	US\$	US\$	US\$
Loans to the Borrower	-	894,902,000	-	894,902,000
Cumulative amortisation	-	(18,976,230)	-	124,218
Cumulative impairment of loans	-	(725,977,101)	-	(20,408,229)
Cumulative modification gain/(loss)	-	19,076,480	-	-
	<u>-</u>	<u>169,025,149</u>	<u>-</u>	<u>874,617,989</u>
	As at 31 December 2022		As at 31 December 2021	
	Current	Non-current	Current	Non-current
	US\$	US\$	US\$	US\$
Accrued interest income	36,150,355	-	36,315,800	-
Other debtors*	<u>178,323</u>	<u>-</u>	<u>224,500</u>	<u>-</u>
	<u>36,462,490</u>	<u>-</u>	<u>36,540,300</u>	<u>-</u>

* Included within Other debtors are amounts due from shareholders being the unpaid balance of the issued and called up share capital of US\$16,348.

The US\$594,902,000 Loan outstanding at 31 December 2022 bears a fixed interest rate of 8.684% per annum. Accrued interest income pertains to the unreceived interest income for the period 9 July 2022 to 31 December 2022.

The US\$300,000,000 Loan outstanding at 31 December 2022 bears a fixed interest rate of 8.289% per annum. Accrued interest income pertains to the unreceived interest income for the period 15 July 2022 to 31 December 2022.

The impairment loss has been based on the principles presented in IFRS 9 for the current financial year, which are forward looking calculations made with reference to published corporate default rates and publicly available bond ratings assigned by established credit rating agencies. These expected credit losses are reflected in the loss allowance for the current financial period, being USD\$705,570,853 (2021: USD\$5,262,024) for the year under review, although this is an estimate and may deviate from actual results.

The key driver which resulted in a USD\$705,568,872 (2021: USD\$5,262,024) loss provision was primarily due to the recognition of future expected credit losses under the IFRS 9 model. The published credit ratings of the Notes were downgraded in December 2022 to C. Fitch Ratings has downgraded JSC Ukrainian Railways (UR) Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'Restricted Default' (RD) from 'C' following the execution of the consent solicitation to defer its debt servicing of its US dollar loan participation notes (LPN) and extension of the maturities by two years in each case.

The loan repayment dates are scheduled in January and July each year, except during the support period as described, at the agreed interest rate of 8.68422% and 8.289% of the principal balance being US\$ 594,902,000 and US\$300,000,000 as at the reporting date, with the final repayment date for the principal being July 2026 and July 2028 respectively.

Rail Capital Markets Public Limited Company

NOTES TO THE FINANCIAL STATEMENTS – continued

For the year ended 31 December 2022

8. LOANS, ACCRUED INTEREST INCOME AND OTHER RECEIVABLES – continued

Loan movement and impairment under IFRS 9:

	At 31 December 2022 US\$	At 31 December 2021 US\$
At beginning of financial year	874,617,989	579,813,476
Recognition of Loans to the Borrower during the year	-	300,000,000
Impairment losses recognised during the financial year	(705,568,872)	(5,262,024)
Modification gain/(loss)	19,076,480	-
Amortisation credit for the financial year	(19,100,448)	66,537
Balance carried forward at end of financial year	<u>169,025,149</u>	<u>874,617,989</u>

9. CASH AT BANK

As at 31 December 2022, the Company held US\$57,276 (2021: US\$17,517) with BNY Mellon London.

10. NON-CURRENT AND CURRENT LIABILITIES

The US\$594,902,000 and US\$300,000,000 Notes outstanding at 31 December 2022 are listed on the Dublin Euronext and bear a fixed interest rate of 8.25% per annum and 7.875% respectively

	As at 31 December 2022		As at 31 December 2021	
	Current US\$	Non-current US\$	Current US\$	Non-current US\$
Notes	-	894,902,000	-	894,902,000
Cumulative amortisation	-	17,756,116	-	(256,528)
Accrued interest payable	34,342,805	-	34,335,462	-
Accrued expenses	65,411	-	68,446	-
Tax payable	1,705,346	-	1,818,444	-
	<u>36,113,563</u>	<u>912,658,116</u>	<u>36,222,352</u>	<u>894,645,472</u>

The Company will account to the Noteholders solely for the amounts equivalent to those (if any) actually received from the Borrower pursuant to the Loan Agreements. The published credit ratings of the Notes were downgraded in December 2022 to C. Fitch Ratings has downgraded JSC Ukrainian Railways (UR) Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'Restricted Default' (RD) from 'C' following the execution of the consent solicitation to defer its debt servicing of its US dollar loan participation notes (LPN) maturing in 2024 and 2026.

Fitch has also downgraded the Long-Term Local-Currency IDR to 'RD' from 'C' and lowered the Standalone Credit Profile (SCP) to 'rd' from 'c'. Fitch views the consent solicitation as a distressed debt exchange (DDE). date (2021: B).

There is an equity deficit of \$743m (2021: \$19.7m) due to the impairment provision of \$706m (2021: \$5.2m) which is an estimate and may deviate from actual results as mentioned in note 12. This is not expected to have an impact on future repayments of the loans.

The withholding tax provision has been recognised in accordance with the double taxation treaty between the Ukraine and the United Kingdom. The tax rate of 5% has been applied to the interest income received during the reporting period and is payable to the state Budget of Ukraine.

Rail Capital Markets Public Limited Company

NOTES TO THE FINANCIAL STATEMENTS – continued
For the year ended 31 December 2022

11. SHARE CAPITAL

	At 31 December 2022		
	Number of shares	£	US\$
Authorised share capital			
Ordinary share capital of £1 each	50,000	50,000	65,720
Issued, allotted and called up			
Fully paid up ordinary share capital of £1	1	1	1.32
Partially paid up share capital at £0.25	49,999	12,500	16,430
	50,000	12,501	16,431
	At 31 December 2021		
	Number of shares	£	US\$
Authorised share capital			
Ordinary share capital of £1 each	50,000	50,000	65,720
Issued, allotted and called up			
Fully paid up ordinary share capital of £1	1	1	1.32
Partially paid up share capital at £0.25	49,999	12,500	16,430
	50,000	12,501	16,431

The entire issued share capital is held on trust by TMF Trustee Limited. The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights. They do not confer any rights of redemption.

12. FINANCIAL RISK MANAGEMENT

The Company's financial instruments comprise of the Loans to the Borrower, cash and cash equivalents and the Notes.

Credit risk

The maximum exposure to credit risk arising on the Company's financial assets at the reporting date is disclosed in the table below.

	Carrying value 2022 US\$	Maximum exposure 2022 US\$	Carrying value 2021 US\$	Maximum exposure 2021 US\$
Assets:				
Loans to the Borrower	169,025,149	169,025,149	874,617,989	874,617,989
Accrued interest receivable	36,150,355	36,150,355	36,315,800	36,315,800
Other debtors	178,323	178,323	224,500	224,500
Cash at bank and in hand	57,276	57,276	17,517	17,517
	205,411,103	205,411,103	911,175,806	911,175,806

The Company is subject to the risk of delays in receipt and risk of defaults on payments due from the Borrower in respect of the Loans. The directors of the Company review information available to them including the latest financial information published by Ukrainian Railway and make due enquiries of Ukrainian Railway's management regarding the financial performance and position of the Borrower and the business environment in which it operates in order to assess the credit risk related to the Loans to the Borrower.

The Borrower conducts its operations in Ukraine. In early 2022, geopolitical tension related to potential armed aggression of the Russian Federation led to another devaluation of Ukrainian hryvnia and worsening forecast for Ukrainian economic development. Further risk depends on timing of the end of Russian war against Ukraine and pace of the country's post-war rehabilitation. Military aggression has a negative impact on the Borrower financial position and its performance after the reporting date in a manner that cannot be reliably estimated at the date of the authorisation of these financial statements. The Borrower's management is monitoring the current situation due to military aggression and is taking measures to minimise the negative consequences as much as possible.

Rail Capital Markets Public Limited Company

NOTES TO THE FINANCIAL STATEMENTS – continued For the year ended 31 December 2022

12. FINANCIAL RISK MANAGEMENT – continued

Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet the payment obligations associated with its financial liabilities when they fall due. The Notes constitute a limited recourse debt obligation. At the period end, the Company's ability to meet its obligations to the Noteholders as they fall due is directly linked to the Borrower's performance of its obligations under the Loans. During the year, the payment of all expenses was governed by the Borrower as specified in the Fees Letters. Since the payment and receipt of interest on the Notes and Loans respectively are matched and the expenses are reimbursed by the Borrower, there is limited liquidity risk.

Maturity Analysis

The table below reflects the undiscounted cash flows of financial liabilities at the reporting date.

At 31 December 2022

	Gross contractual cashflow US\$	1 to 3 months US\$	3 months to 1 year US\$	1 to 5 years US\$
Interest payable	192,658,830	-	-	192,658,830
Note principal	894,902,000	-	-	894,902,000
Tax payable	1,705,346	-	-	1,705,346
	<u>1,089,266,176</u>	<u>-</u>	<u>-</u>	<u>1,089,266,176</u>

At 31 December 2021

	Gross contractual cashflow US\$	1 to 3 months US\$	3 months to 1 year US\$	1 to 5 years US\$
Interest payable	265,363,245	24,539,708	24,539,708	216,283,830
Note principal	894,902,000	-	-	894,902,000
Tax payable	1,818,444	1,818,444	-	-
	<u>1,162,083,689</u>	<u>26,358,152</u>	<u>24,539,708</u>	<u>1,111,185,830</u>

Interest rate risk

Interest rate risk exists where assets and liabilities have interest rates set under a different basis or which reset at different times. The Company's exposure to interest rate risk is limited as the interest rate characteristics of its assets and liabilities are similar as presented in notes 8 and 10 above.

Currency risk

All the Company's assets and liabilities are denominated in US dollars except for share capital which is £12,501 translated at the date of issue at US\$16,431 and minor administrative expenses. The Company's foreign exchange risk is currently limited to this amount and is not seen as a significant risk.

Capital risk management

The Company considers its capital to comprise of its ordinary share capital and its accumulated retained earnings. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern. The Company is not subject to any external capital requirements except for the minimum requirement under the Companies Act 2006 which is £50,000. The Company has not breached the minimum requirement.

Fair values

The carrying amounts shown on the statement of financial position are considered a reasonable approximation of the fair value of all the Company's financial instruments excluding the following:

	As at 31 December 2022		As at 31 December 2021	
	Carrying amount US\$	Fair Value US\$	Carrying amount US\$	Fair Value US\$
Loans to the Borrower	169,025,149	169,025,149	874,617,989	867,695,399
Note	912,658,116	169,025,149	894,645,472	867,695,399

Rail Capital Markets Public Limited Company

NOTES TO THE FINANCIAL STATEMENTS – continued

For the year ended 31 December 2022

12. FINANCIAL RISK MANAGEMENT – continued

Estimation of fair values

The fair value of the Loans to the Borrowers is considered to be the same as the fair value of the Notes. The terms of the each Loan and corresponding Note agreements match in all material respects. Under IFRS 13, Loans to the Borrower are considered Level 2 as explained below.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Under IFRS 13 the fair value of the Notes is considered to be Level 2. No fair values have been disclosed for current assets and liabilities because their carrying amount approximates to fair value due to their short-term maturities.

13. RELATED PARTY TRANSACTIONS

For the year ended 31 December 2021, fees of US\$22,027 (2021: US\$49,649) were accrued in relation to TMF Global Services (UK) Ltd in respect of corporate services provided to the Company, including provision of directors; fees of US\$ nil (2021: US \$nil).

At the year end, Public Joint Stock Company “Ukrainian Railway” was the Company's immediate controlling party. The details of the amounts loaned, interest receivable and interest accrued as at the year-end can be found in notes 4 and 8. Operating expenses are due from or paid by the Borrower details of which can be found in note 6.

14. ULTIMATE CONTROLLING PARTY

The Company is incorporated and registered in the United Kingdom. The entire share capital of the Company is held by TMF Trustee Limited on a discretionary trust basis for the benefit of certain charities. Although Ukrainian Railway has no direct ownership interest in the Company, it is considered to be the ultimate controlling party in accordance with IFRS 10. The results of the Company are therefore included in the consolidated financial statements of Ukrainian Railway. This is the smallest group in which the Company's results are consolidated. Ukrainian Railway is registered in the Ukraine and copies of the consolidated Financial Statements may be obtained from the company's registered address which is at 5 Tverska Street, Kyiv 03680, Ukraine or via their website: www.uz.gov.ua.

15. EVENTS AFTER THE REPORTING PERIOD

The implementation of the Support Period was finalised post-year end, but applicable to the interest payment period following the July 2022 payments. In January 2023, a consent solicitation fee was due to the relevant noteholders who had voted in favour of the changes to the Notes and was duly settled.