Beacon Rail Finance (Europe) Limited

Annual Report and Financial Statements

As at and for the year ended 31 December 2022

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COMPANIES HOUSE

Registered Address: 4 Matthew Parker Street, 4th Floor
London, United Kingdom
SW1H 9NP
Registered No.08488775

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STRATEGIC REPORT

Strategic report

The Directors of Beacon Rail Finance (Europe) Limited ("BRFE" or the "Company") present their report and financial statements for the year ended 31 December 2022.

Principal activity and review of the Company

The Company's principal activities during the year continued to be the purchase and leasing of rolling stock comprised of freight locomotives, freight wagons and passenger train units to operators primarily located in the United Kingdom.

The key performance indicators during the year were as follows:

Fiscal period	2022	2021
Total locomotives owned and (on order)	124; (36)	125; (15)
Total wagon units owned and (on order)	715	715
Total passenger train vehicles owned and (on order)	500	503
Weighted average equipment age	12.9 years	15.0 years
Contracted future operating lease revenue (in GBP)	639,182,371	323,662,028

Results

Fiscal period in GBP	2022	2021
Revenue	103,195,052	97,447,433
Operating profit	57,140,008	55,703,382
Profit for the financial year	**29,562,849**	**25,121,874**

The increase in revenue pertains primarily to a full year of lease rentals from passenger fleets delivered in 2021. The increase in operating profit primarily pertains to the current year margin generated from the aforementioned increase in revenue.

The future delivery of on-order/under-construction rolling stock as well as the continued growth of the portfolio through new investment activities is expected to result in continued growth in the Company's portfolio and profitability.

Principal risks, uncertainties and use of financial instruments

Credit risk

One of the most significant financial risks inherent in the operations of the Company is the timely collection of contractual rental payment obligations due under the Company's lease contracts. Another form of credit risk that is assumed by the Company, is that in certain lease contracts, the lessee has no obligation to pay maintenance reserves. However, the lessee has an obligation at the end of the lease term to return the equipment to the Company per the conditions stated in the lease and may be required to compensate the Company for estimated future maintenance costs to be incurred due to usage of the equipment during the lease term. In these circumstances, the Company is further exposed to the creditworthiness of the lessee until such return obligations are met.

STRATEGIC REPORT (CONT.)

The Company has lease origination and underwriting policies that require appropriate credit checks on all new potential lessees before leases are entered into and the Company maintains robust and active account management and collection practices. As at 31 December 2022, the majority of the Company's customers are state-owned, state-sponsored and/or investment-grade rated, which assists to mitigate credit risk.

Residual and remarketing risk

Residual risk is determined by evaluating the future utility of the rolling stock over its remaining useful life and assigning estimated future rental and usage assumptions to establish projected cash flows. These cash flows are then discounted back through a present value calculation at a discount rate that reflects the length of the remaining useful life of the equipment, the current interest rate environment and other risk elements of the market including an assessment of the future supply and demand of the equipment.

Residual and remarketing risk is managed through active portfolio management which includes equipment selection, lease maturity management, and regular oversight of maintenance and repairs.

Liquidity risk

The Company's objective in managing liquidity risk is to ensure that it has a sufficient amount of funds available to meet its financial obligations as and when they become due. In order to achieve this, the Company's management closely monitors and manages its cash position as well as its availability to both debt (facility agreements) and equity capital (parent undertakings).

At 31 December 2022, Company maintains intercompany financing with maturities ranging from 2026 - 2039. The intercompany financing, along with the Company's parent undertaking and free cash flow generated by operations provide the Company with sufficient liquidity to operate in the normal course.

Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates will affect the Company's income, the value of its holdings of financial instruments, comprised of loans, deposits and payables, and/or its liquidity position.

a) *Interest rate risk*
The Company largely mitigates interest rate risk by entering into fixed interest rate debt agreements with a related party.

b) *Foreign currency risk*
The Company broadly mitigates foreign exchange risk by funding its investments with borrowings in the same currency, the british pound, thus matching debt service payment obligations with contractual rental payment obligations. Where there is a mismatch, the Company enters into currency forwards.

STRATEGIC REPORT (CONT.)

SECTION 172 (1) STATEMENT

Section 172(1) indicates that a director of a company must act in the way he considers, 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 the likely consequence of any decision in the long term, the interests of the company's employees, the need to foster the company's business relationships with suppliers, customers and others, the impact of the company's operations on the community and the environment, the desirability of the company maintaining a reputation for high standards of business conduct and the need to act fairly as between members of the company.

Overarching all decision-making processes is the Board's view on sustainability and its impact on all stakeholders:

Sustainability

The Company has set out the following sustainability principles to drive its business decision making process:

- We make safety central to everything we do.
- To engage with our stakeholders to understand their needs and concerns and take steps to know everything necessary to manage Beacon as a sustainable business in an integrated, collaborative way.
- Challenge ourselves to identify and adopt best and leading-edge practice across our sustainable business themes and objectives, and particularly in relation to the health, safety and wellbeing of all our stakeholders.
- Comply with all applicable laws and wherever possible go beyond compliance and look ahead to build resilience against risk and value for the future.
- Operate to the highest standards of business ethics and security through company and internal understanding whereby everyone takes responsibility, supported by robust policy and implementation processes.
- Recognise our potential to influence and support the future of sustainable rail and in particular our role in meeting the challenges of moving towards zero and net positive carbon economies

Stakeholders

In acting in good faith in promoting the success of the Company, the Directors consider relationships with its key stakeholders:

Customers

The Company leases a diverse fleet of rolling-stock within the United Kingdom primarily under long-term leases. When engaging with customers, the Company focuses on:

- Building long-term collaborative relationships to drive innovation and meet shared technical goals and challenges.
- Exceeding expectations on service delivery and certainty.
- Maximising the value of our asset base through quality, reliability and longevity.

The Company is actively involved in working with its customers on alternative fuel trials, battery-operated solutions and other hybrid options focused on decarbonisation and the longevity of its assets.

STRATEGIC REPORT (CONT.)

SECTION 172 (1) STATEMENT (CONT.)

Suppliers

Maintaining relationships and trust with our customers and suppliers is vital to the Company. We strive to consider and act on the impacts of our business on the public and wider society, our wider supply chain and the environment. The Company is committed to dealing with suppliers in a fair, timely and professional manner while conforming to internal processes and controls.

Safety is central to the Company's engagement with all stakeholders in a business relationship. We seek to work collaboratively with our customers and suppliers through building long-term collaborative relationships to drive innovation and meet shared technical goals and challenges. We strive to abide by contractual payment terms for our suppliers to foster our relationship and maintain the high quality of our assets. The Company publishes its payment practices and statistics on https://www.gov.uk/check-when-businesses-pay-invoices

Employees

The Company does not have any direct employees and has a Rail Equipment Management Agreement with its parent which provides the Company with all necessary management and administrative services, including lease origination, lease administration, technical asset management, portfolio investment management, accounting, financial reporting, tax compliance and reporting and all other necessary administrative support. The related party provides these services directly or through its other subsidiaries.

Creditors/Lenders

While the Compacomny sources all its financing from related parties, it is an obligor under the Common Terms Agreement within its debt platform. The Common Terms Agreement provides, inter alia, for financial covenants for the obligors regarding loan-to-value and debt service coverage, and portfolio covenants regarding the remaining weighted average lease term, permitted business, permitted acquisitions and disposals, and asset type diversification.

The Company, as an obligor, is actively involved in long-term forecasting in assessing long-term compliance with covenants under the debt platform including sensitivities that the Board deems appropriate to assess remote but plausible down-side scenarios.

Shareholders

The Company actively engages with its direct shareholder, Beacon Rail Leasing S.à r.l. and its ultimate shareholder, Infrastructure Investments Fund (IIF Int'l Holding GP Ltd.). The ultimate shareholder assists the Company in providing financing for its projects and has actively supported the acquisition of major capital projects including its Voyager, Mk5A and Class 803 passenger fleets since it acquired the Company and its related parties in 2017.

A representative of the professional investment adviser to the Infrastructure Investments Fund is on the Company's board of directors.

Conflicts of Interest

The Board is actively engaged in outlining and ensuring compliance with relevant conflict of interest policies. Where potential conflicts are identified, the relevant Director is not involved in the decision-making process.

STRATEGIC REPORT (CONT.)

SECTION 172 (1) STATEMENT (CONT.)

Principal Decisions in 2022

Acquisitions and originations

The Board of Directors provides oversight for the remarketing of the Company's fleet, as well as procurement of additional assets to enhance the growth or the Company.

During the year ended 31 December 2022, the Company accepted deliveries of shunting locomotives from a new build rolling stock contracts with an aggregate capitalised value of GBP 8.9 million.

During 2022, the Company entered into a manufacture and supply agreement with a manufacturer for the delivery of 30 bi-mode locomotives for the UK market. These units, under long term leases with a large UK freight operator, are to be delivered from 2025. The increase in contracted future operating lease revenue is primarily attributable to the leases attached to these units. The introduction of these locomotives, with first in class environmental and performance benefits, underlines Beacon's commitment to support rail freight in the UK, accelerating modal shift and builds on the strong environmental benefit of rail freight.

Disposals

During 2022, the Company sold 10 locomotives under the contractual terms of their finance leases, transferring ownership to the customer. Additionally, the Company sold one fully amortised 3-car passenger train to a customer.

Dividends

On 13 April 2022, the Company distributed a dividend of GBP 17.5 million and on 16 August 2022 a dividend of GBP 12.0 million out of its available profits. When assessing the Company's ability to distribute a dividend, the Board of Directors reviews among other factors, cash on hand, cashflow forecasts, reinvestment requirements of the Company, access to capital to fund its future growth and continued financial support of its shareholder. (2021: Dividend of GBP 10.0 million)

On behalf of the Board

Adam Cunliffe, Director
Beacon Rail Finance (Europe) Limited
24 March 2023
4th Floor, 4 Matthew Parker Street
London, SW1H 9NP, United Kingdom

DIRECTORS' REPORT

Results

Fiscal period in GBP	2022	2021
Revenue	103,195,052	97,447,433
Operating profit	57,140,008	55,703,382
Profit for the financial year	**29,562,849**	**25,121,874**

Dividend distribution

On 13 April 2022, the Company distributed a dividend of GBP 17.5 million and on 16 August 2022 a dividend of GBP 12.0 million out of its available profits. (2021: Dividend of GBP 10.0 million)

For the year ended 31 December 2022, the Directors do not recommend the payment of a dividend.

Going concern

The financial statements have been prepared on the going concern basis which the Directors consider appropriate for the reasons outlined below and where they have reviewed cash flow forecasts for a period of 12 months from the date of signing of these financial statements (the going concern period). The Company has made a profit for the year of £29.6m (2021: £25.1m) and has net current liabilities of £545.3m (2021: net current assets of £2.3m). The Directors have reviewed the Company's operations and made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources available to continue in operation for the foreseeable future and for at least 12 months from the date of approval of these financial statements.
Under both its base-case scenario and reasonably plausible downside scenarios, the Directors consider that the Company is well-positioned to manage risk during its normal course of operations whilst remaining within facilities available.
In April 2022, the Company and its affiliated borrower, Beacon Rail Finance S.à r.l. amended its borrowings to enable the related-party lender to request repayment on demand. The amended agreement simplifies the ability to service intercompany debt and move cash between entities under common control.

As part of the going concern assessment, the Directors have determined that such a change to the agreement does not impact the Company's going concern assumption. Both the Company and Beacon Rail Finance S.à r.l. are under common control of Beacon Rail Leasing S.à r.l., the Company's sole shareholder and the entities are all obligors under an external financing common terms debt platform.

The Company has received a statement of intention from it's related-party borrower indicating that it does not intend to call the loan for a period of 24 months from the date of amendment (i.e. April 2024) beyond general amortising payments to service the Beacon Group's external GBP-denominated debt. Such principal and interest payments are forecasted to be GBP 8.2 million and GBP 18.4 million respectively within 12 months of the approval of these financial statements.

Under the terms of the agreement with external lenders, the Company, as an obligor, has pledged its shares, bank accounts, rolling stock and assigned all intercompany loans. As a result of the common terms debt platform the ability of the Company to continue as a Going Concern is based on the ability of its affiliated entity to satisfy its obligations under the debt platform. The Directors also hold senior leadership or governance roles within the Group and have assessed the consolidated operations on a going concern basis for a period of 12 months from the date of approval of these financial statements. In preparing these consolidated forecasts, the same scenarios have been assessed as apply to Beacon Rail Finance (Europe) Limited and under both its base-case scenario and reasonably plausible downside scenarios, management considers that the Group is well positioned to manage risk during its course of operations and is able to realise its assets and discharge its liabilities and commitments in the normal course of business.

DIRECTORS' REPORT (CONT.)

As at 31 December 2022, Beacon Finco S.à r.l. as borrower and the obligors, including the Company, are in compliance with all covenants under the common terms debt platform. Externally imposed covenants include both a 12 month look-back and a 12 month look-forward interest coverage ratio as well as other typical covenants for borrowings of this nature. In assessing the going concern of the Company, and the wider Group, the Directors also forecast long-term covenant compliance and headroom including, but not limited to, 12 months from the date of issuance of these financial statements.

Based on this assessment, the Directors consider that the Company will be able to continue its operations for the foreseeable future and will be able to realise its assets and discharge its liabilities and commitments in the normal course of operations, based on the cash generated by the Company's operations. Therefore, the financial statements have been prepared on the going concern basis.

Directors

The Directors who served the Company during the year were as follows:

K Howard
M Scarsella (appointed 13 May 2022)
R Hardy (resigned 13 May 2022)
A Cunliffe
C Gomez-Ferrer Navarro

None of the Directors had any disclosable interest in the shares of the Company.

Engagement with suppliers, customers and others in a business relationship with the Company

Maintaining relationships and trust with our customers and suppliers is vital to the Company. We strive to consider and act on the impacts of our business to the public and wider society, our wider supply chain and the environment.

Safety is central to the Company's engagement with all stakeholders in a business relationship. We seek to work collaboratively with our customers and suppliers through building long, term collaborative relationships to drive innovation and meet shared technical goals and challenges. We strive to abide by contractual payment terms for our suppliers to foster our relationship and maintain the high quality of our assets.

Greenhouse gas emissions, energy consumption and energy efficiency action

The Company has not disclosed detailed energy and carbon information, as it is a low energy user with <40MWh energy use. The Company, as a lessor, does not operate its rolling stock directly and leases its rolling stock to operators who would include net GHG emissions in their own reporting.

Future developments

We evaluate events occurring after the date of our accompanying balance sheets for potential recognition or disclosure in our financial statements. We did not identify any material subsequent events requiring adjustment to our accompanying financial statements (recognised subsequent events). Those items requiring disclosure (unrecognised subsequent events) in the financial statements have been disclosed accordingly.

Disclosure of information to the auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

DIRECTORS' REPORT (CONT.)

Auditors

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.

On behalf of the Board

Adam Cunliffe, Director
Beacon Rail Finance (Europe) Limited
24 March 2023

4th Floor, 4 Matthew Parker Street
London
SW1H 9NP
United Kingdom

Statement of Directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BEACON RAIL FINANCE (EUROPE) LIMITED

Opinion

We have audited the financial statements of Beacon Rail Finance (Europe) Limited ("the Company") for the year ended 31 December 2022 which comprise the Statement of profit and loss and other comprehensive income, Balance Sheet, Statement of changes in equity 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 Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company 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 Company or to cease its operations, and as they have concluded that 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 its 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 Company's business model and analysed how those risks might affect the 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 Company's ability to continue as a going concern for the going concern period.

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 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 Company'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.
- Considering remuneration incentive schemes and performance targets for management
- 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 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 there are limited incentives, rationalizations and/or opportunities to fraudulently adjust revenue recognition.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments 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 due to non-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 (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.

Firstly, the Company 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 Company 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, recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors 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.

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, 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; or

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 10, 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 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 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.

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.

M. Smith

Mark Smith (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square
London
E14 5GL
24 March 2023

Statement of profit and loss and other comprehensive income

in GBP	Note	2022	2021
Revenue	2	103,195,052	97,447,433
Operating and administrative expenses	4	(46,055,044)	(41,744,051)
Operating profit		**57,140,008**	**55,703,382**
Financial income	5	808,469	1,018,062
Financial expenses	5	(21,996,468)	(20,685,448)
Net financing expense		(21,187,999)	(19,667,386)
Profit before tax		**35,952,009**	**36,035,996**
Tax on profit	6	(6,389,160)	(10,914,122)
Profit for the financial year		**29,562,849**	**25,121,874**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cashflow hedges		4,176,762	(690,121)
Amounts reclassified from other comprehensive income			
- basis adjustment to fixed assets		-	(438,349)
- finance expense		(28,643)	(15,755)
Tax on cashflow hedges	6	(1,037,030)	197,260
Total other comprehensive income for the year		**3,111,089**	**(946,965)**
Total comprehensive income for the year		**32,673,938**	**24,174,909**

The notes on pages 18 to 33 form an integral part of these financial statements

Balance sheet

in GBP	Note	31 December 2022	31 December 2021
Fixed assets			
Property, plant & equipment	7	659,186,186	675,854,611
Assets under construction	8	13,935,184	9,295,170
		673,121,370	685,149,781
Current assets			
Cash and cash equivalents	9	17,991,425	11,140,092
Finance lease receivables – within one year	10	924,495	802,515
Finance lease receivables – greater than one year	10	9,813,404	10,737,899
Trade and other receivables	9	11,124,851	17,165,607
Other financial assets	9	4,088,616	-
		43,942,791	39,846,113
Creditors - amounts falling due within one year	9	589,211,147	37,527,439
Net current (liabilities)/assets		**(545,268,356)**	**2,318,674**
Total assets less current liabilities		127,853,014	687,468,455
Creditors - amounts falling due after more than one year	9	80,416,150	646,507,687
Deferred tax liabilities	6	20,278,452	16,976,294
Net assets		**27,158,412**	**23,984,474**
Equity			
Share capital	11	10	10
Share premium		1,141,676	1,141,676
Hedging reserves	11	3,362,876	251,787
Retained earnings		22,653,850	22,591,001
Total equity shareholders' funds		**27,158,412**	**23,984,474**

The notes on pages 18 to 33 form an integral part of these financial statements.

These financial statements were approved by the board of Directors on 24 March 2023 and were signed on its behalf by:

Adam Cunliffe
Director
Beacon Rail Finance (Europe) Limited – Registered No. 08488775
24 March 2023

Statement of changes in equity

in GBP	Share capital	Share premium	Hedging reserves	Retained earnings	Total equity
Balance 31 December 2020	**10**	**1,141,676**	**1,198,752**	**7,469,127**	**9,809,565**
Profit for the year	-	-	-	25,121,874	25,121,874
Other comprehensive income	-	-	(946,965)	-	(946,965)
Total comprehensive income for the year	-	-	(946,965)	25,121,874	24,174,909
Dividend distribution	-	-	-	(10,000,000)	(10,000,000)
Balance 31 December 2021	**10**	**1,141,676**	**251,787**	**22,591,001**	**23,984,474**
Profit for the year	-	-	-	29,562,849	29,562,849
Other comprehensive income	-	-	3,111,089	-	3,111,089
Total comprehensive income for the year	-	-	3,111,089	29,562,849	32,673,938
Dividend distribution	-	-	-	(29,500,000)	(29,500,000)
Balance 31 December 2022	**10**	**1,141,676**	**3,362,876**	**22,653,850**	**27,158,412**

The notes on pages 18 to 33 form an integral part of these financial statements.

NOTE 1: GENERAL INFORMATION AND ACCOUNTING POLICIES

Beacon Rail Finance (Europe) Limited is a private company incorporated, domiciled and registered in England in the UK. The registered number is 08488775 and the registered address is 4th Floor 4 Matthew Parker Street, London, United Kingdom, SW1H 9NP.

The Company's principal activities during the period continued to be the purchase and leasing of rolling stock comprised of locomotives, freight wagons and passenger train vehicles to operators located in the United Kingdom.

The Company is a direct subsidiary of Beacon Rail Leasing S.à r.l., a company incorporated and domiciled in Luxembourg and its ultimate parent is Beacon Rail Lux Holdings S.à r.l.. The Company's ultimate parent undertaking includes the Company in its consolidated financial statements (the "Group"). The consolidated financial statements of Beacon Rail Lux Holdings S.à r.l. are prepared in accordance with IFRS as adopted by the European Union which are published according to the provisions of the Luxembourg law and are available at the registered office of the parent.

Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("UK-adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- *Statement of cash flows and related notes;*
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries of the Group;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of Beacon Rail Lux Holdings S.à r.l. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 7 – Financial Instruments: disclosures
- IFRS 16 maturity analysis disclosures
- Certain disclosures required by IFRS 13 Fair Value Measurement
- The requirements in IAS 24 Related party disclosures to disclose related party transactions entered between two or more members of a group.

Basis of preparation and measurement convention

These financial statements, prepared on the historical cost basis, are presented in Great British pound sterling ("GBP"), the Company's functional currency.

Notes to the Financial Statements (continued)

NOTE 1: GENERAL INFORMATION AND ACCOUNTING POLICIES (CONT.)

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

Going concern

The financial statements have been prepared on the going concern basis which the Directors consider appropriate for the reasons outlined below and where they have reviewed cash flow forecasts for a period of 12 months from the date of signing of these financial statements (the going concern period). The Company has made a profit for the year of £29.6m (2021: £25.1m) and has net current liabilities of £545.3m (2021: net current assets of £2.3m). The Directors have reviewed the Company's operations and made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources available to continue in operation for the foreseeable future and for at least 12 months from the date of approval of these financial statements.
Under both its base-case scenario and reasonably plausible downside scenarios, the Directors consider that the Company is well-positioned to manage risk during its normal course of operations whilst remaining within facilities available.

In April 2022, the Company and its affiliated borrower, Beacon Rail Finance S.à r.l. amended its borrowings to enable the related-party lender to request repayment on demand. The amended agreement simplifies the ability to service intercompany debt and move cash between entities under common control.

As part of the going concern assessment, the Directors have determined that such a change to the agreement does not impact the Company's going concern assumption. Both the Company and Beacon Rail Finance S.à r.l. are under common control of Beacon Rail Leasing S.à r.l., the Company's sole shareholder and the entities are all obligors under an external financing common terms debt platform.

The Company has received a statement of intention from it's related-party borrower indicating that it does not intend to call the loan for a period of 24 months from the date of amendment (i.e. April 2024) beyond general amortising payments to service the Beacon Group's external GBP-denominated debt. Such principal and interest payments are forecasted to be GBP 8.2 million and GBP 18.4 million respectively within 12 months of the approval of these financial statements.

Under the terms of the agreement with external lenders, the Company, as an obligor, has pledged its shares, bank accounts, rolling stock and assigned all intercompany loans. As a result of the common terms debt platform the ability of the Company to continue as a Going Concern is based on the ability of its affiliated entity to satisfy its obligations under the debt platform. The Directors also hold senior leadership or governance roles within the Group and have assessed the consolidated operations on a going concern basis for a period of 12 months from the date of approval of these financial statements. In preparing these consolidated forecasts, the same scenarios have been assessed as apply to Beacon Rail Finance (Europe) Limited and under both its base-case scenario and reasonably plausible downside scenarios, management considers that the Group is well positioned to manage risk during its course of operations and is able to realise its assets and discharge its liabilities and commitments in the normal course of business.

As at 31 December 2022, Beacon Finco S.à r.l. as borrower and the obligors, including the Company, are in compliance with all covenants under the common terms debt platform. Externally imposed covenants include both a 12 month look-back and a 12 month look-forward interest coverage ratio as well as other typical covenants for borrowings of this nature. In assessing the going concern of the Company, and the wider Group, the Directors also forecast long-term covenant compliance and headroom including, but not limited to, 12 months from the date of issuance of these financial statements.

Based on this assessment, the Directors consider that the Company will be able to continue its operations for the foreseeable future and will be able to realise its assets and discharge its liabilities and commitments in the normal course of operations, based on the cash generated by the Company's operations. Therefore, the financial statements have been prepared on the going concern basis.

Notes to the Financial Statements (continued)

NOTE 1: GENERAL INFORMATION AND ACCOUNTING POLICIES (CONT.)

Foreign currencies

Transactions in foreign currencies are translated to the respective functional currency of the entity at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the statement of profit and loss.

Revenue recognition

Operating lease rentals are recognised as revenue on a straight-line basis over the period of the lease.

In addition, rental revenue on certain operating leases also includes contingent rentals based on projected usage (maintenance reserves). Contingent rentals are remitted monthly and are non-refundable. Some of the Company's leases provide for a lease-end adjustment payment to be made by the lessee at the end of the lease term based on usage and the condition of the asset upon return. Lease-end contingent rental payments are included in rental revenue when the amount receivable is known with certainty.

Fee income includes amounts received for servicing certain leases and are based on a fixed amount per lease, recognised when the related services are performed.

Financial income and expenses

Interest income and interest expense is recognised in the statement of profit and loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Financing income mainly comprises foreign exchange gains. Financing expenses mainly comprise interest payable, commitment fees to lenders, amortisation of deferred financing costs, and foreign exchange losses.

Income tax

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity.

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

Deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, with the following exceptions: Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and temporary deductible differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are assessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset only if certain criteria are met.

Notes to the Financial Statements (continued)

NOTE 1: GENERAL INFORMATION AND ACCOUNTING POLICIES (CONT.)

Non-derivative financial instruments

Non-derivative financial instruments comprise other receivables, cash and cash equivalents, trade and other payables. They are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Operating lease equipment assets

Operating lease equipment held for leasing to customers is recorded in the balance sheet as property, plant and equipment. The operating lease assets are stated at the lower of depreciated cost or recoverable amount.

Depreciated cost includes discounts and applicable technical, legal, and other expenditures associated with the equipment, less accumulated depreciation.

The operating lease assets are depreciated on a straight-line basis down to the estimated residual value at the end of its estimated useful life. Depreciation begins once the asset is initially accepted by the lessee and put in service. Depreciation continues while the asset is off-lease and is in inventory and is being remarketed for lease or sale. Locomotives are typically depreciated over a 35-year term from the date originally put in service to an estimation of residual value, and freight wagons are typically depreciated over a 25-year total life. Estimated residual value or residual value reflects management's estimate of the future value of the asset at the end of its estimated useful life.

Spare parts are not subject to depreciation until placed in service.

Prior to acquiring an asset intended for the operating lease portfolio, the Company may be required to make various deposits, such as construction payments to the manufacturer of the asset. During the preconstruction and construction periods borrowing costs related to those amounts that are directly related to the acquisition of the assets are capitalised into the asset cost. The capitalisation of borrowing costs continues until the asset is complete and ready for its intended use.

Assets under construction

Assets under construction consist of construction progress payments provided to manufacturers for equipment to be placed under operating leases. As the risks and rewards of these assets remain with the manufacturer until transfer, these assets are treated as a prepayment.

Assets under finance lease

Finance leases are those where substantially all the risks and rewards of ownership are transferred to the lessee. The outstanding lease payments are treated by the lessor as repayments of principal and finance income. The lease payments are used to reimburse the lessor for its financial investment and to compensate for services.

Assets from finance leases are initially recognised in the statement of financial position as finance lease receivables at an amount equal to lower of fair value and the net investment i.e., the present value of the minimum lease payments. Lease payments are divided into interest payments and repayments in such a manner that they reflect a constant periodic rate of return.

Operating leasing and other receivables

Operating lease receivables and other receivables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. Operating leases relate to the Company's rolling stock and the related receivable at the balance sheet date represents the Company's contractual hold to collect receivables comprised solely of payments of principal and interest, where applicable.

Notes to the Financial Statements (continued)

NOTE 1: GENERAL INFORMATION AND ACCOUNTING POLICIES (CONT.)

Maintenance reserves

Maintenance reserves include amounts received as well as outstanding receivables from certain lessees to cover periodic maintenance costs which will be incurred in future periods. In certain maintenance or repair lease arrangements, the Company is liable to remit funds from the maintenance reserve to cover the costs of maintenance performed while the asset is on lease to the lessee. Maintenance revenue is recognised, as collected. Heavy-maintenance expenses are recorded based on the projected heavy maintenance events economically linked to the maintenance revenue collected.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents in the financial statements include cash in hand and interest-bearing deposits with maturities of less than three months at the date of acquisition.

Loans and borrowings

Loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost using the effective interest method.

Deferred debt issuance costs represent the direct costs related to the issuance of the loans and borrowings, such as bank fees, legal fees, auditor fees and third-party valuation firm fees. These costs are presented net of debt and amortised in accordance with the effective interest method over the finite life of the debt instrument as additional interest expense.

Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value; any directly attributable transaction costs are recognised in the income statement as incurred. The gain or loss on re-measurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resulting gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve.

Hedge ineffectiveness for foreign currency forwards may occur due to the credit value/debit value adjustment on the foreign exchange forwards which is not matched by the underlying fixed asset construction exposure, and differences in maturity dates between the foreign exchange forwards and the actual payment dates of the underlying exposure

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to the credit value/debit value adjustment on the interest rate swaps, which is not matched by the loan, and differences in critical terms between the interest rate swaps and loans. Hedge ineffectiveness on foreign currency forwards and interest rate swaps is shown within finance expenses.

Notes to the Financial Statements (continued)

NOTE 1: GENERAL INFORMATION AND ACCOUNTING POLICIES (CONT.)

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are recycled into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when interest income or expense is recognised.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

Impairment excluding deferred tax assets

Financial assets (including receivables)

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has had a negative effect on the estimated future cash flows of the asset that can be estimated reliably.

Evidence that a financial asset is impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Where required, allowance for lifetime expected credit losses ("ECL") is recognised for trade receivables which result from transactions within the scope of IFRS 15 and which do not contain a significant financing component; and lease receivables, which are outside the scope of IFRS 9 for classification and measurement purposes but in the scope for impairment.

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

Non-financial assets (including right-of-use assets)

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to disposal. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

If the recoverable amount of the cash generating unit is less than its carrying amount, an impairment loss is recognised directly in the statement of profit and loss.

Notes to the Financial Statements (continued)

NOTE 1: GENERAL INFORMATION AND ACCOUNTING POLICIES (CONT.)

Accounting estimates and judgments

The preparation of the financial statements requires management to make estimates, judgments and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income, and expenses are based on historical experience and other factors that are believed to be reasonable under the circumstances.

Remaining useful life and residual value

Management makes estimations regarding the remaining useful life and the residual value when determining its asset depreciation policy for each asset.

Valuation of deferred tax assets

Deferred tax assets are recognised for unused tax losses, unused tax credits and temporary deductible differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Hedge accounting

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. In the event of changes in the timing of a highly probable forecast transaction, estimates are revised quarterly to reflect any changes.

Implementation of new UK-adopted IFRS standards

Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 were effective for periods beginning 1 January 2022.

These narrow scope amendments had no impact on the Company.

Notes to the Financial Statements (continued)

NOTE 2: REVENUE

The Company's revenue is attributable to the continuing business of leasing equipment subject to operating lease contracts. It comprises rental payments receivable, fee income from asset management services and miscellaneous fee income. Services are transferred over the passage of time.

The Company's revenue primarily arises within the United Kingdom.

in GBP	2022	2021
Rental revenue	97,056,635	91,580,029
Maintenance reserve revenue	5,938,466	5,583,265
Other income	199,951	284,139
Total revenue with contracts with customers	**103,195,052**	**97,447,433**

The following table provides information about receivables, deferred revenue, contract assets and contract liabilities from contracts with customers:

in GBP	31 Dec. 2022	31 Dec. 2021
Trade receivables	8,635,295	11,648,622
Contract assets	1,094,881	1,139,375
Deferred revenue	(8,322,342)	(8,522,781)
Contract liabilities	-	-

NOTE 3: OPERATING LEASE CUSTOMER COMMITMENTS

Operating leases receivable from customers consist of non-cancellable contracts. If all of the contractual lease payments were made, the future undiscounted operating lease receivables are as follows:

in GBP	31 Dec. 2022	31 Dec. 2021
Less than one year	73,169,720	95,419,661
One to two years	29,977,415	59,581,887
Two to three years	28,421,586	23,960,047
Three to four years	33,647,053	22,987,481
Four to five years	32,591,873	21,055,402
More than five years	441,374,723	100,657,550
Total contractual operating lease payments	**639,182,370**	**323,662,028**

The increase primarily pertains to assets to be delivered from 2025, on lease with a freight customer.

NOTE 4: OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses are as follows:

in GBP	2022 Total	2021 Total
Depreciation of rolling stock	29,981,312	28,064,480
Maintenance reserve cost	5,938,466	5,583,265
Administrative and other (including auditor remuneration)	10,135,266	8,096,306
Total operating and administrative expenses	**46,055,044**	**41,744,051**

Notes to the Financial Statements (continued)

NOTE 4: OPERATING AND ADMINISTRATIVE EXPENSES (CONT.)

Auditors' remuneration, included in the previous table, is as follows:

in GBP	2022 Total	2021 Total
Audit of these financial statements	73,283	74,076
Other non-audit services	-	-
Total auditor renumeration	**73,283**	**74,076**

NOTE 5: FINANCIAL INCOME AND EXPENSES

in GBP	2022	2021
Financial income		
Foreign exchange gain	30,694	115,303
Interest income from finance leases	717,284	846,654
Other financial income	60,491	56,105
Total financial income	*808,469*	*1,018,062*
Financial expenses		
Foreign exchange loss	175,305	369,604
Interest expense	20,570,217	19,020,561
Amortisation of deferred financing costs	1,250,946	1,295,283
Other financial expenses	-	-
Total financial expenses	*21,996,468*	*20,685,448*
Net financial expenses	**(21,187,999)**	**(19,667,386)**

NOTE 6: TAXATION

Amounts recognised in profit or loss:

in GBP	2022	2021
Current tax		
UK corporation tax on profit for the year	4,335,304	3,535,924
Prior period adjustment	(211,272)	18,104
Total current tax expense	*4,124,032*	*3,554,028*
Deferred tax		
Originating and reversing timing differences	3,368,372	3,305,926
Change in tax rate current year	-	4,054,168
Prior period adjustment	(1,103,244)	-
Total deferred tax expense	*2,265,128*	*7,360,094*
Tax expense in statement of profit and loss	**6,389,160**	**10,914,122**

Notes to the Financial Statements (continued)

NOTE 6: TAXATION (CONT.)

Factors affecting tax charge for the period

The tax provision for the year differs from the standard rate of corporation tax in the United Kingdom of 19.00% in 2022 (19.00% in 2021), as follows:

in GBP	2022	2021
Profit before tax	35,952,009	36,035,996
Profit before tax multiplied by standard rate	6,830,882	6,846,839
Effects of:		
Non-deductible expenses	52,684	(4,989)
Tax rate differential	820,110	4,054,168
Prior period adjustment	(1,314,516)	18,104
Total tax charge for the year	**6,389,160**	**10,914,122**

Effect of taxation on amounts recognised in other comprehensive income:

in GBP	2022	2021
Cashflow hedge changes in other comprehensive income	(4,148,119)	1,144,225
Changes multiplied by standard rate	(1,037,030)	217,403
Effects of:		
Change in tax rate	-	(20,143)
Total tax (recovery) / charge for the year	**(1,037,030)**	**197,260**

All deferred tax assets and liabilities have been recognised in the balance sheet. The related tax benefit is expected to be realised with future taxable profits in the UK tax group in which the Company forms part of.

In 2021, the Finance Act 2022 introduced an increase in the corporation tax rate from 19% to 25% with effect from 1 April 2023.

Deferred tax assets and liabilities have been calculated based on a rate of 25%.

Notes to the Financial Statements (continued)

NOTE 6: TAXATION (CONT.)

in GBP	Net balance 31 Dec. 21	Recognised in income statement	Recognised in OCI	Other adjustments	Net balance 31 Dec. 22	Deferred tax assets 31 Dec. 22	Deferred tax liabilities 31 Dec. 22
Property, plant and equipment	(19,604,703)	(2,268,871)	-	-	(21,873,574)	-	(21,873,574)
Derivatives	(83,929)	-	(1,037,030)	-	(1,120,959)	-	(1,120,959)
Carry forward - restricted interest	4,070,912	(1,354,831)	-	-	2,716,081	2,716,081	-
Capitalised interest	(1,358,574)	1,358,574	-	-	-	-	-
Tax (liabilities) / assets before set-off	(16,976,294)	(2,265,128)	(1,037,030)	-	(20,278,452)	2,716,081	(22,994,533)
Set-off of tax	-	-	-	-	-	(2,716,081)	2,716,081
Net tax (liabilities) / assets	**(16,976,294)**	**(2,265,128)**	**(1,037,030)**	**-**	**(20,278,452)**	**-**	**(20,278,452)**

	Net balance 31 Dec. 20	Recognised in income statement	Recognised in OCI	Other adjustments	Net balance 31 Dec. 21	Deferred tax assets 31 Dec. 21	Deferred tax liabilities 31 Dec. 21
Property, plant and equipment	(13,368,516)	(6,236,528)	-	341	(19,604,703)	-	(19,604,703)
Derivatives	(280,848)	-	197,260	(341)	(83,929)	-	(83,929)
Carry forward - restricted interest	4,846,089	(775,177)	-	-	4,070,912	4,070,912	-
Capitalised interest	(1,010,185)	(348,389)	-	-	(1,358,574)	-	(1,358,574)
Tax (liabilities) / assets before set-off	(9,813,460)	(7,360,094)	197,260	-	(16,976,294)	4,070,912	(21,047,206)
Set-off of tax	-	-	-	-	-	(4,070,912)	4,070,912
Net tax (liabilities) / assets	**(9,813,460)**	**(7,360,094)**	**197,260**	**-**	**(16,976,294)**	**-**	**(16,976,294)**

Carry forward - restricted interest

The Company and a UK related party (the tax Group) are subject to an annual limitation on the deduction of interest payments which exceed 30% of EBITDA in the UK. The amount of the restricted interest is a temporary difference that is available as a deductible expense in future years in the UK. The Company has offset deferred tax assets and deferred tax liabilities since the Company has a legally enforceable right to set off the deferred tax assets and the deferred tax liabilities as they relate to income taxes levied by the same taxation authority.

Notes to the Financial Statements (continued)

NOTE 7: PROPERTY, PLANT & EQUIPMENT

in GBP	Rolling stock	Spare parts	31 December 2022
Cost			
Balance at 1 January 2022	806,534,792	9,737,542	816,272,334
Additions	12,029,678	1,283,209	13,312,887
Disposals	(385,621)	-	(385,621)
Balance at 31 December 2022	818,178,849	11,020,751	829,199,600
Accumulated depreciation			
Balance at 1 January 2022	(140,417,723)	-	(140,417,723)
Depreciation expense	(29,981,312)	-	(29,981,312)
Disposals	385,621	-	385,621
Balance at 31 December 2022	(170,013,414)	-	(170,013,414)
Net book value – ending balance	**648,165,435**	**11,020,751**	**659,186,186**
Net book value – opening balance	**666,117,069**	**9,737,542**	**675,854,611**

For the year ended 31 December 2022, the Company's main acquisitions were as follows:

During the year ended 31 December 2022, the Company accepted deliveries of shunting locomotives from a new build rolling stock contracts with an aggregate capitalised value of GBP 8.9 million.

The remaining additions primarily pertain to capital enhancements to existing assets.

NOTE 8: ASSETS UNDER CONSTRUCTION

Assets under construction are comprised of the following:

in GBP	31 Dec. 2022	31 Dec. 2021
New build rolling stock costs	13,639,555	7,376,160
Other assets under construction	295,629	1,919,010
Total assets under construction	**13,935,184**	**9,295,170**

During 2022, the Company capitalised GBP 0.2 million of interest incurred during the construction period (2021: GBP 0.2 million) at a rate of 3.88%.

Notes to the Financial Statements (continued)

NOTE 9: FINANCIAL ASSETS AND LIABILITIES

in GBP	31 December 2022	31 December 2021
Current assets		
Cash and cash equivalents	17,991,425	11,140,092
Trade and other receivables		
Trade receivables	9,730,177	11,648,622
Related party receivables	1,394,674	289,122
VAT receivable	-	5,067,762
Other receivable	-	160,100
Forward exchange contracts at fair value and other	4,088,616	-
Total current assets	33,204,892	28,305,698
Creditors - amounts falling due within one year		
Accounts payable and other accrued expenses	703,170	2,129,390
Deferred revenue	8,322,342	8,522,781
Current tax payable	1,637,807	1,336,076
Maintenance reserve	18,220,507	12,486,227
Related party loans, net of deferred financing costs	553,657,705	9,964,976
Related party payables - Interest	961,758	414,364
Related party payables - Services and fees	1,679,822	2,447,312
VAT payable	4,028,036	-
Forward exchange contracts at fair value	-	226,313
Total creditors - amounts falling due within one year	589,211,147	37,527,439
Creditors - amounts falling due after more than one year		
Related party loans, net of deferred financing costs	80,416,150	646,507,687

A summary of the shareholder loan terms, included within related party loans, is as follows:

in GBP	Currency	Interest rate	Year of maturity	31 Dec. 2022	31 Dec. 2021
Shareholder loan	GBP	3.88%	2030	46,601,893	46,601,893
Shareholder loan	GBP	2.45%	2030	35,614,659	71,599,969
Total shareholder loans				**82,216,552**	**118,201,862**

The remaining related party loans of GBP 544.6 million (2021: GBP 528.3 million) are conducted on an arm's length basis. In April 2022, the Company and its affiliated borrower, Beacon Rail Finance S.à r.l. amended its borrowings to enable the related-party lender to request repayment on demand. Accordingly the full face value of the debt has been presented as current for the year ended 31 December 2022.

The amended agreement simplifies the ability to service intercompany debt and move cash between entities under common control.

Notes to the Financial Statements (continued)

NOTE 10: FINANCE LEASE RECEIVABLES

in GBP	31 Dec. 2022	31 Dec. 2021
Less than one year	1,587,746	1,519,801
One to two years	1,587,746	1,587,746
Two to three years	1,578,456	1,587,746
Three to four years	1,299,746	1,578,456
Four to five years	1,299,746	1,299,746
More than five years	7,356,491	8,656,237
Total contractual finance lease payments	**14,709,931**	**16,229,732**
Unearned finance lease income	**(3,972,032)**	**(4,689,318)**
Net investment in finance leases	**10,737,899**	**11,540,414**

In January 2022, the Company sold 10 locomotives under finance lease for total consideration of GBP 10,000 in line with the terms of the lease.

NOTE 11: ISSUED SHARE CAPITAL AND RESERVES

As at 31 December 2022 and 2021, the Company has 1,000 shares, fully paid up, with a nominal value of GBP 0.01. All classes of shares have in substance the same rights for the sole shareholder.

The ordinary shareholders shall be entitled to receive notice of, attend and speak at and vote at general meetings of the Company. Ordinary shareholders shall have one vote for each ordinary share held by them.

On 13 April 2022, the Company distributed a dividend of GBP 17.5 million and on 16 August 2022 a dividend of GBP 12.0 million out of its available profits.

Hedging reserves

The cash flow hedge reserve comprises the cumulative effective portion of the fair value of the foreign currency forwards designated in cash flow hedge relationships, net of tax.

Movements for the period are as follows:

Currency forwards in GBP	Total hedging reserves
31 December 2021	**251,787**
Change in fair value of instrument recognised in OCI	4,176,762
Less: amounts reclassified from OCI	
- basis adjustment to fixed assets	-
- finance expense	(28,643)
Less: deferred tax	(1,037,030)
31 December 2022	**3,362,876**

Notes to the Financial Statements (continued)

NOTE 12: COMMITMENTS AND CONTINGENCIES

12.1 Guarantees and covenants - Financing

On 25 June 2019, an affiliated undertaking, Beacon Finco S.à r.l. entered into a Common Terms Agreement with certain banks and financial institutions as lenders and institutional investors establishing a common terms debt platform (the "CTA Debt Platform"). Under the CTA Debt Platform the Company, as an obligor, entered into certain facilities agreements whereby the lenders and note purchasers thereunder agreed to make available certain funding to Beacon Finco S.à r.l. which would then be on-lent to certain other members of the Group (including the Company) and applied, inter alia, for the purpose of refinancing the external financing of the group.

The Common Terms Agreement provides a framework for covenants applicable to the obligors with respect to the credit agreements with each of the various debt capital providers. The Common Terms Agreement provides, inter alia, for financial covenants for the obligors regarding loan-to-value and debt service coverage, and portfolio covenants regarding minimum weighted average lease term, permitted business, permitted acquisitions and disposals, and asset type diversification.

The facilities agreements are secured on a pari passu and cross-collateralised basis by (i) guarantees and share pledges, (ii) assignment of all intercompany loans, (iii) account pledges over all bank accounts, (iv) mortgages over all of the equipment, and (v) assignment of leases, insurances, and hedging agreements.

In this context, the Company has pledged as of December 31, 2022 its shares, bank accounts, rolling stock and assigned all intercompany loans.

12.2 Other financial commitments

At 31 December 2022, the Company had purchase commitments of GBP 144.1 million for locomotives and final milestone payments for delivered passenger units (2021: GBP 17.3 million) which will be funded through available debt facilities and shareholder funding.

NOTE 13: RELATED PARTY TRANSACTIONS AND ULTIMATE PARENT

The Company, as a wholly owned subsidiary of Beacon Rail Lux Holdings S.à r.l., has availed of the requirements of IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group through the exemption provided by FRS 101.8(k). The Company's related party transactions are conducted in line with the arms' length principle.

As at 31 December 2022, IIF Int'l Holding GP Ltd. is the ultimate controlling party of the Company. They are advised by J.P. Morgan Investment Management Inc.

The Company's immediate parent is Beacon Rail Leasing S.à r.l., 20, rue Eugène Ruppert, L-2453 Luxembourg, a Luxembourg domiciled company. The standalone annual accounts for Beacon Rail Leasing S.à r.l. are published according to the provisions of the Luxembourg law and are available at the registered office of the Company.

The smallest and largest group in which the assets and results of the Company are consolidated is Beacon Rail Lux Holdings S.à r.l., 20, rue Eugène Ruppert, L-2453 Luxembourg, a Luxembourg domiciled company. Beacon Rail Lux Holdings S.à r.l. prepares consolidated financial statements which are published according to the provisions of the Luxembourg law and are available at the registered office of the Company.

Notes to the Financial Statements (continued)

NOTE 14: DIRECTOR REMUNERATION

Two directors of the Company are employees of other companies within the Beacon group and one director of its ultimate controlling parties and received emoluments in respect to those employments only. No emoluments have been paid during the year in respect of their roles as Directors of the Company as the majority of their time is spent on their other above-mentioned roles. Accordingly, no separate remuneration has been disclosed. (2021: nil).

NOTE 15: SUBSEQUENT EVENTS

No matters or circumstances of importance have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the Company, the results of those operations or the affairs of the Company.