

Registration number: 03118392

Freightliner Limited

Unaudited Annual Report and Unaudited Financial Statements

for the Year Ended 31 December 2022



Freightliner Limited

Contents

Company Information	1
Strategic Report	2 to 6
Directors' Report	7 to 12
Statement of Directors' Responsibilities	13
Profit and Loss Account	14
Statement of Comprehensive Income	15
Balance Sheet	16 to 17
Statement of Changes in Equity	18
Notes to the Unaudited Financial Statements	19 to 55

Freightliner Limited

Company Information

Directors Mr Christopher Lawrenson
Mr Shaun Allen
Mr William Thomas Wright
Mr Blake Jones

Company secretary Ms Sally Jane Watts

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Freightliner Limited

Strategic Report for the Year Ended 31 December 2022

The directors present the strategic report for the year ended 31 December 2022.

Fair review of the business

The UK group operates Rail, Road and Terminals services across Intermodal Logistics and Heavy Haul markets. Intermodal services include the trunking of shipping containers between ports in the UK and a network of inland rail freight terminals, providing storage for containers at the terminals. We operate a fleet of road vehicles which complement the rail service by offering road haulage to and from the inland terminals and ports. Additional services provided include management of container depots, container sales and conversions and specialist haulage. Heavy Haul rail operations include bulk rail haulage and infrastructure activity in support of Network Rail network maintenance.

Strong growth momentum from Q4 2021 was carried forward into 2022 for the group, resulting in a continued positive trajectory with revenues improving from £194,523k to £216,613k. Performance has been supported by several other factors, including a business reorganisation during the year into Intermodal Logistics and Heavy Haul divisions. A key output from the strategic review conducted during late 2021, this has allowed a more natural alignment of the business to market requirements, and led to the development of focused, end to end customer solutions and as a result, our customer partnerships continue to grow. We have signed new contracts during the year with a number of key customers across both divisions, in addition to expanding our customer portfolio.

We continue to invest heavily in our future growth across all delivery platforms. At our port and inland Terminals, we offer market leading vehicle turnaround times through our investment in automated processes; on Road and Rail we are investing in new technologies to support a safe and efficient operation, while our systems capability continues to be developed to support a best-in-class business. Performance was further supported in the year by improved operating effectiveness. Safety continues to be a key priority for our business, with year-on-year improvements delivered through this ongoing focus and investment in maintaining assets to the highest standard. Significant 'back office' enhancements to both process and systems have made transactions with customers and suppliers more efficient, while a relentless focus on service and efficiency have supported our growth agenda and an improved set of results.

Through strong planning and communication, we have been able to effectively manage the disruption caused by the fully compensated Network Rail and port-based strikes, in what has become an increasingly volatile Industrial Relations environment, and we continue to work closely with our people to mitigate any potential risk to the business. A combination of the above factors has resulted in loss before tax decreasing by £11,880k from a loss of £21,300k to a loss of £9,419k.

The markets we operate in remain highly competitive, with our pricing and cost base under constant review to ensure we are balancing service and cost effectively for our customers. This has come under even more intense scrutiny with the downturn in the UK economy as we have moved into 2023. We are working closely with our customers and across the business to manage our way through this high inflationary, low volume environment, ensuring we continue to deliver an efficient operation that maximises market opportunities during 2023.

Freightliner Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

The Company's principal key financial performance indicators are noted below and these have been discussed as part of the Business review. There are no non-financial key performance indicators upon which business performance is measured.

	Unit	2022	2021
Turnover	£'000	216,613	194,523
Gross margin	%	10	12
Net (loss) before taxation	£'000	(9,419)	(21,300)
Net Assets	£'000	117,955	74,021
Net Assets excluding pension liability	£'000	124,102	131,312

2021 balances have been restated as per Note 5.

Financial risk management and objectives

The Company's activities expose it to a number of financial risks including credit risk and liquidity risk. The Company aims to minimise these risks through its forward looking strategy. These are detailed further within the principal risks and uncertainties section of the Strategic Report.

Principal risks and uncertainties

The principal risks and uncertainties of the business are detailed below:

Future economy:

The Company has considered the impact of wider macro-economic issues that will be impacting the wider transport industry and the general economy. It is not considered that there are any factors that will affect the business other than those which will affect the wider economy such as inflationary pressures including to energy and cost of living. Management will continue to actively manage its cost base and pricing accordingly in order to mitigate this risk.

Health and Safety:

The company is required, by statute, to hold a current Safety Certificate. To secure a Safety Certificate the company must submit to the Office of Rail and Road a Railway Safety Case (RSC), a document defining the safety management system. Management actively monitors risks in the business and strive for a zero injuries workplace.

Credit risk:

The company's credit risk is attributable to its receivables, which are presented in the statement of financial position net of any provision for bad debts. The company only enters into material transactions with reputable and established businesses. Credit risk is controlled by the regular review and setting of customer payment terms. Compliance with these limits is regularly monitored.

Liquidity risk:

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by managing cash generation through its operations and through funding facilities available from its parent entity, Genesee & Wyoming Inc.

Freightliner Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Strategic and commercial risks:

The portfolio of business activities across the group help to mitigate demand shortfalls in any particular area, as evidenced through the global supply chain congestion post Brexit and the pandemic.

The business is extremely mindful of the low growth, high inflation economic environment in 2023. The downturn in the UK economy has impacted parts of our business, resulting in a lower growth rate and higher cost base than anticipated. We continue to work extremely closely with all our colleagues, customers, and suppliers, to ensure appropriate action continues to be taken to mitigate any inflationary risk through positive cost and price negotiations. Our focused efforts on customer proposition and delivering efficient business solutions allows us to protect and grow market share in a competitive and low growth market environment, allowing us to continue to deliver against our business growth strategy.

The business is impacted by the general high level of Industrial Relations activity and in particular the ongoing Network Rail strikes. Through strong planning and communication internally and externally, we can, in the main, minimise the negative impact these have on our business. We are working extremely closely with our colleagues to ensure we continue to provide a great place to work and a highly competitive reward structure. In an industry where key skills shortages are prevalent, we have a strong track record of recruiting, developing, and retaining great people and believe we will continue to do so through our continued investment in this area.

As we invest in new technologies to support our growth strategy, including delivering an efficient back office, we are mindful of the growing cyber security risk. Our assurance programmes within this area ensure that the systems and infrastructure within the business are adequately protected against this risk.

The conflict between Russia and Ukraine has no direct impact on UK revenues and has not had any material impact on cost base and profitability. The impact from a higher fuel price is mitigated through contractual mechanisms and to date any impact on cost prices has been managed through to an immaterial profit impact through strong procurement processes.

We remain confident that our strategy, people, and organisational resilience, position us well to make continued progress.

Section 172(1) statement

The Directors must act in a way they consider would be most likely to promote the success of the Company for the benefit of its stakeholders. These stakeholders and actions taken by the Company are detailed below:

Long-term consequences of decisions - The Company aims to secure its long-term prospects and viability by seeking out strategies that provide mutual long-term benefits to its stakeholders and members. These are considered through regular meetings of the senior management team, periodic engagement with its shareholders and the formal preparation and adoption of a 5-year Strategic Plan. This includes determining the capital investment required to meet growth, customer, and safety needs. The annual review of the Company's strategy encompasses the long-term implications for stakeholders and members.

Freightliner Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Interest of employees - Our employees reflect our culture and values and are essential to delivering on our mission of developing long-term customer relationships and business growth. The Company has several means of communicating with its employees in terms of business performance and other important decisions. These communication methods include quarterly business updates from the CEO, regular Hotliners on new business wins and other topics of interest to colleagues, quarterly meetings of the Senior Leadership Team (SLT) with union reps from all four unions to discuss quarterly business performance. Pre-COVID, the SLT also held regular townhall forums at our various operational sites to inform employees of important developments and decisions. These were replaced in 2020 by online teams and continued to remain in place during 2021. The Company has a strong culture of Health & Safety and strives for zero injuries, every day. In support of our health and safety culture, the business has a comprehensive health and safety training plan that it delivers across platform and grades according to need. A freely accessible internal information hub is maintained of all policies and relevant employee information.

Need to foster the Company's business relationships - Our customers include large international shipping lines through to small local businesses. Our customers rely on us to fulfil their obligations and our suppliers allow us to meet their needs.

The Company actively works towards the acquisition of new customers through a range of existing industry relationships and tendering processes. The supply of services is dependent on the continuing collaboration with a range of third-party suppliers on a long-term basis. Commercial and operational teams have regular and timely communication with key customers and suppliers to understand their needs to assist us in fulfilling their objectives. To maintain and enhance the customer relationships, the Company engages in frequent surveys and interactions. The Company collaborates with customers to deliver a high quality services whilst maintaining key performance indicators such as on-time delivery, utilisation and customer satisfactory ratings.

Impact on communities - We believe supporting our communities strengthens our community ties and fosters an awareness of our long-term goals.

Our staff charity nomination scheme sees our employees' nominating charities, which they have a personal connection, to which donations are made. The Company, further, sponsors local sports clubs across the UK that our staff have a connection with. Through these activities we have frequent engagement with the local communities to assess the Company's impact and align our corporate social responsibility goals for the future.

Impact on the environment - As one of the UK's leading transportation service providers, we take our environmental responsibilities seriously and recognise the importance of our environmental performance as part of our overall business success. G&W UK has an ongoing focus on increasing the sustainability of our operations and will continue to play a pivotal role in ensuring that the UK economy can fully decarbonise by 2050.

G&W UK's Environment and Sustainability Group (ESG) coordinates our environmental and sustainability workstreams to ensure that the business is positioned to further enhance our environmental and sustainable credentials. As part of our Integrated Management System (IMS), we will develop, maintain and continually improve an Environmental Management System (EMS) in line with the requirements of ISO 14001 and seek external accreditation for relevant operations to ensure we achieve all our compliance objectives and that our operational activities prevent pollution and embrace environmental opportunities.

Freightliner Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

High standard of business conduct - The Company and its employees are subject to the Code of Ethics of Genesee & Wyoming Inc ("Code"). The Code sets forth general guidelines of business practice and is intended to help educate our staff about the laws that affect our business; help our employees understand the type of behaviour that is expected, and to serve as a guide when we face legal or ethical questions.

The Company's internal and external policies are reviewed by the Directors and senior management to ensure compliance with anti-bribery, modern slavery, environmental, safety standards, tax and financial standards. The Company operates an internal audit program overseeing the financial and non-financial policies and procedures put in place.

To act fairly between members of the company – The Company and its employees are subject to the Code of Ethics of Genesee & Wyoming Inc ("Code"). The Code sets forth general guidelines of business practice and is intended to help ensure fairness between members of the company. This Code is aligned with the principles provided by the ultimate parent entity and assessed alongside the company's strategic update.

During the period the directors continued to monitor progress against the company's strategy, as highlighted in the principal activities section of the strategic report of the company, and decisions made by the directors were in respect of operational matters.

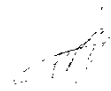
Future developments

The directors expect rail haulage to continue to face challenges from other modes of transport which provide competition to the business. The strategic review conducted by the business and resultant plans, leave us well placed to continue to drive growth in this environment.

The following matters have been covered in the Directors' Report:

- Directors of the company;
- Principal activity;
- Employment of disabled persons;
- Employee involvement;
- Dividends;
- Social and community issues;
- Streamlined energy and carbon reporting;
- Going concern;
- Important non adjusting events after the financial year;
- Directors' liabilities;
- Disclosure of information to the independent auditors.

Approved by the Board on 28 September 2023 and signed on its behalf by:


.....
Mr William Thomas Wright
Director

Freightliner Limited

Directors' Report for the Year Ended 31 December 2022

The directors present their report and the unaudited audited financial statements for the year ended 31 December 2022.

Directors' of the company

The directors, who held office during the year, were as follows:

Mr Edward Aston (resigned 2 September 2022)

Mr Christopher Lawrenson

Mr Shaun Allen

Mr William Thomas Wright (appointed 27 September 2022)

Mr Blake Jones (appointed 27 September 2022)

Principal activity

The company is a provider of trunk rail services between United Kingdom ports and a network of inland rail freight interchanges (terminals). The company operates a fleet of road vehicles that complement the rail service by offering local road haulage to and from the inland terminals. In addition, the company also provides storage for containers at its inland freight terminals.

Financial risk management objectives and policies

The principal risks and uncertainties of the business are disclosed in the Strategic Report.

Post balance sheet events

Post balance sheet events are disclosed in Note 27 of the financial statements.

Dividends

The directors do not propose a dividend for the year ended 31 December 2022 (2021: nil). No interim dividends declared.

Social and community issues

Consistent with Genesee & Wyoming Inc., the company's intermediate controlling entity, for which core values relate to respect and integrity, the company is committed to implementing and enforcing effective policies, systems and controls to ensure that slavery and human trafficking is not taking place anywhere in our business operations or our supply chains. We will continually review our systems and controls to assess how effective we have been in meeting this commitment.

In the United Kingdom, our operations have over 1,600 suppliers across a wide range of sectors, including the rail infrastructure operator (Network Rail), engineering suppliers, fuel suppliers, road transport suppliers, port companies, asset lessors, information technology service providers, insurance and facilities management companies. In addition, the firm works with a number of professionals, consultants and contractors.

G&W UK procure material globally, with the majority based either within the UK, USA or the EU and a limited amount sourced from the Far East. Of these estimated 1,600 suppliers, 155 represent 88% of our total supplier expense with an annual spend of at least £250,000. A review of their corporate websites confirmed that 77 published modern slavery/human trafficking statements.

Our supplier terms & conditions, used for all major suppliers of goods, now clearly state the firm's intention to step away (without penalty) if any occurrences of non-compliance with modern slavery is found.

Streamlined Energy and Carbon Reporting

Freightliner Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

It is not possible to separate the energy usage and carbon emissions of the group of companies owned by GWI UK Holding Ltd. This report covers the energy usage and carbon emissions of all companies within the group.

This section has been prepared in compliance to the SECR Framework as implemented in the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

GHG emissions and energy use data for period 1 January 2021 - 31st December 2022

	Units	1st January to 31st December 2022
Emissions from combustion of gas (Scope 1)	tCO2e	308
Emissions from combustion of fuel for transport purposes (Scope 1)	tCO2e	153,286
Emissions from purchased electricity (Scope 2) for transport purposes	tCO2e	5,717
Emissions from purchased electricity (Scope 2)	tCO2e	1,783
Emissions from generation of electricity that is consumed in a transmission and distribution system for which the company does not own or control (Scope 3)	tCO2e	685
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	tCO2e	100
Total gross emissions	tCO2e	<u>161,879</u>
Energy consumption used to calculate above emissions	kWh	<u>676,541,435</u>

The intensity ratios have been calculated for the different activities carried out within the Organisation and include all energy usage and emissions stated within the above emissions figures and the methodology.

Source	Carbon Emissions (tCO2e)	Intensity Ratio	Intensity Ratio Metric	Intensity Metric
Traction	121,177	0.01663	tCO2e/KGTMS	7,645,225
Road Haulage and Vehicles	25,268	0.00110	tCO2e/mile	22,776,173
Terminal/Site Usage	<u>8,894</u>	<u>0.00546</u>	tCO2e/m2	<u>1,627,719</u>

Streamlined Emissions and Carbon Reporting (cont)

Freightliner Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Quantification and reporting methodology

GWI UK Holding Ltd and subsidiaries including Freightliner Limited, have followed the 2019 HM Government Environmental Reporting Guidelines and GHG Reporting Protocol, Corporate Standard. We have used the 2021 UK Government's Conversion Factors for Company Reporting. We have used an operational approach to define our boundary and scopes. The current target is to reduce carbon emissions by 55% from the 2020 baseline by 2030. There is also a target of net zero by 2050. The current progress has shown a 6.49% reduction in Scope 1 and Scope 2 carbon emissions against the 2020 baseline.

Scope 1 emissions relate to on-site gas usage and emissions from transport. Scope 2 relates to Electric Traction and on-site electricity usage, Electricity transmission and distribution loss associated emissions are set out in Scope 3. Further Scope 3 emissions relate to grey fleet.

Transport usage has been obtained from fuel purchasing records, fuel card usage and mileage data. Electric traction usage and emissions are calculated from metering data (EnergyX system). Mileage records for the traction comes from Network Rail Trackaccess data for the intensity metric, Company car mileage for the intensity metric is estimated based on litres used. Company car and grey fleet emissions have been calculated on an assumed split of 70% diesel and 30% petrol. Fuelcard data has had a pro rata applied wherever there is not a full 12 month's data.

The primary source for on-site electricity and gas consumption data is supplier invoices and supplier consumption data. The Landlord supplies have been calculated from invoice costs and usage and also estimated based on historical consumption where not available.

The Group has not obtained any independent assurances over the information reported as the SECR report is prepared internally.

Freightliner Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Energy Efficiency Commentary

As one of the UK's leading transportation service providers, here at G&W UK we take our environmental responsibilities seriously and recognise the importance of our environmental performance as part of our overall business success. G&W UK has an ongoing focus on increasing the sustainability of our operations and will continue to play a pivotal role in ensuring that the UK economy can fully decarbonise by 2050. G&W UK's HSSE team coordinated our environmental and sustainability workstreams to ensure that the business is positioned to further enhance our environmental and sustainable performance. The SECR report will act as an evidence base, on which to set regular, achievable and effective carbon emission reduction which will lead to decarbonisation of our operations by 2050.

The G&W Group have committed to a target across the US, UK and Europe aligned to previous climate science, which required global warming to be well below 2°C.

Transport emissions have shown a decrease, this is due to rail strikes taking place in 2022 reducing the TCO_{2e} as less train miles were covered. 2023 train miles are expected to increase assuming no further strike action, however, alternative fuels are being trialled and new technology emerging to ensure the TCO_{2e} are kept as low as possible.

GW UK Holding Ltd. engaged in several energy efficiency projects during 2022 focusing on alternative biofuels for the diesel traction locomotives, an example of this is through the use of Hydrotreated Vegetable Oil (HVO) which has been used consistently for a six-month trial with a customer. This trial has also shown the possibility of using HVO in terminal machinery in place of diesel which is an initiative that G&W will take into 2023.

Freightliner Group limited began the future loco strategy in 2022, reviewing the future of the current fleet of over 150 diesel freight vehicles which deliver services across Great Britain. In order to meet governmental and company decarbonisation targets we recognise that we will need to upgrade, renew or replace our diesel locomotive fleets to achieve a science-based net zero solution. We have met with locomotive manufactures, rail leasing companies and consulting bodies and asked them a set of questions around their decarbonisation strategies, and what the future loco and infrastructure will look like. From this we plan to make the decision on the future of our 150 diesel locos.

Extensive work has been done to reducing idling by implementing remote conditional monitoring (RCM) which has reduced idling significantly. Furthermore, with the goal of reducing queue times and speeding truck turnaround times at terminals, G&W have implemented a Vehicle Booking System (VBS), allowing G&W to proactively prepare for haulier arrivals and service trucks quickly and efficiently reducing idling on our road fleet. In addition to this, locomotive driver behaviour has been addressed, to improve the efficiency of acceleration and limiting notch 8 use to improve fuel economy. Notch 8 refers to a gear system that is used, in order to achieve optimal fuel efficiency notch 5-6 is recommended, using notch 8 results in requiring more engine power and therefore is less fuel efficient.

2022 scope 3 figures have increased in the emissions from business travel in rental cars or employee-owned vehicles, this is likely to be due to a greater granularity of detail received. An improvement in the process of calculation in 2022 included identifying each individual registration plate of the vehicles and cross referencing them with the DVLA site to establish fuel type, compared with estimates in previous years. Business travel is likely to have increased slightly given the return to business-as-usual post-pandemic. Information has been fed into Quantis in line with the Greenhouse Gas Protocol under a range of scope 3 categories to obtain a more accurate breakdown of purchased goods and services, and the correct conversion factors associated with these categories.

Freightliner Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

Going concern

The UK Group's base cash forecast show that as a result of operations, discretionary capital expenditure and reasonable expected downside scenarios, the UK Group would require funding in the 12 months from signing of the financial statements. Cash flow needs for the company are managed on a UK Group basis rather than at the individual company level.

The company plans to meet its day-to-day cash flow requirements through its cash reserves and the group borrowing facility. The group borrowing facility secured by US assets, which the UK Group can access through GWI UK Acquisition Company Limited, one of the named entities to the borrowing facility.

Genesee & Wyoming Inc., the immediate parent entity of the UK Group, has demonstrated to management there is significant headroom in the group borrowing facility to support the UK Group, should the need arise. Furthermore, Genesee & Wyoming Inc. has provided management a support letter confirming their intentions to provide financial assistance to the UK Group for at least 12 months from the date of authorising the company's financial statements.

The directors have a reasonable expectation that the company, through group borrowing facility and the support of Genesee & Wyoming Inc., has adequate resources to continue in operational existence for at least 12 months from when these financial statements were approved. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Directors' liabilities

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 was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.


Freightliner Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

The following matters have been covered in the Strategic Report:

- Fair review of the business;
- Principle risks and uncertainties;
- Financial risk management objectives and policies;
- Engagement with employees;
- Engagement with suppliers, customers and others;
- Section 172(1) statement;
- Future developments.

Approved by the Board on 28 September 2023 and signed on its behalf by:


.....
Mr William Thomas Wright
Director

Freightliner Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Freightliner Limited

Profit and Loss Account for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Turnover	6	216,613	194,523
Cost of sales		<u>(195,954)</u>	<u>(171,257)</u>
Gross profit		20,659	23,266
Administrative expenses		(30,738)	(45,858)
Other operating income	7	<u>6,890</u>	<u>7,700</u>
Operating loss	8	<u>(3,189)</u>	<u>(14,892)</u>
Interest receivable and similar income		18	56
Interest payable and similar expenses	9	<u>(6,248)</u>	<u>(6,464)</u>
		<u>(6,230)</u>	<u>(6,408)</u>
Loss before tax		(9,419)	(21,300)
Tax on loss	13	<u>(7)</u>	<u>158</u>
Loss for the year		<u><u>(9,426)</u></u>	<u><u>(21,142)</u></u>

Turnover and operating loss are all derived from continuing operations.

Freightliner Limited

Statement of Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Loss for the year		(9,426)	(21,142)
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post employment benefit obligations (net)	24	<u>53,359</u>	<u>32,329</u>
Total comprehensive income/(expense) for the year		<u><u>43,933</u></u>	<u><u>11,187</u></u>

The notes on pages 19 to 55 form an integral part of these financial statements.

Freightliner Limited

**(Registration number: 03118392)
Balance Sheet as at 31 December 2022**

		31 December 2022	31 December 2021 (As restated)
	Note	£ 000	£ 000
Fixed assets			
Tangible assets	14	138,727	135,833
Right of use assets	20	104,048	117,696
Investments	16	-	-
		<u>242,775</u>	<u>253,529</u>
Current assets			
Stocks	15	2,011	4,121
Debtors: amounts falling due within one year	17	131,401	136,841
Cash at bank and in hand	18	641	612
		<u>134,053</u>	<u>141,574</u>
Creditors: Amounts falling due within one year	22, 20	<u>(122,852)</u>	<u>(129,404)</u>
Net current assets		<u>11,201</u>	<u>12,170</u>
Total assets less current liabilities		253,976	265,699
Creditors: Amounts falling due after more than one year	20, 23	(113,137)	(123,638)
Provisions for liabilities	21	(16,737)	(10,749)
Deferred taxation	13	-	-
Net assets excluding pension liability		124,102	131,312
Net pension liability	24	<u>(6,147)</u>	<u>(57,291)</u>
Net assets		<u>117,955</u>	<u>74,021</u>
Capital and reserves			
Called up share capital	19	20	20
Revaluation reserve		87,292	87,292
Other reserves		26,573	26,573
Profit and loss account		<u>4,070</u>	<u>(39,864)</u>
Shareholders' funds		<u>117,955</u>	<u>74,021</u>

For the year ending 31/12/2022 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

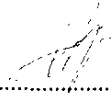
The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and preparation of accounts.

The notes on pages 19 to 55 form an integral part of these financial statements.

Freightliner Limited
(Registration number: 03118392)
Balance Sheet as at 31 December 2022 (continued)

Approved by the Board on 28 September 2023 and signed on its behalf by:


.....
Mr William Thomas Wright
Director

Freightliner Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Called up share capital £ 000	Revaluation reserve £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2021	20	87,292	26,573	(52,112)	61,773
Loss for the year	-	-	-	(21,142)	(21,142)
Other comprehensive expense	-	-	-	32,329	32,329
Total comprehensive expense	-	-	-	11,187	11,187
Share based payment transactions	-	-	-	1,061	1,061
At 31 December 2021	<u>20</u>	<u>87,292</u>	<u>26,573</u>	<u>(39,864)</u>	<u>74,021</u>

	Called up share capital £ 000	Revaluation reserve £ 000	Other reserves £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2022	20	87,292	26,573	(39,863)	74,022
Loss for the year	-	-	-	(9,426)	(9,426)
Other comprehensive income	-	-	-	53,359	53,359
Total comprehensive income	-	-	-	43,933	43,933
At 31 December 2022	<u>20</u>	<u>87,292</u>	<u>26,573</u>	<u>4,070</u>	<u>117,955</u>

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022

1 General information

The company is a private company limited by share capital, incorporated in England and Wales and domiciled in United Kingdom.

The address of its registered office is:

6th Floor
The Lewis Building
35 Bull Street
Birmingham
United Kingdom
B4 6EQ
United Kingdom

Principal activity

The company is a provider of trunk rail services between United Kingdom southern ports and a network of inland rail freight interchanges (terminals). The company operates a fleet of road vehicles that complement the rail service by offering local road haulage to and from the inland terminals. In addition, the company also provides storage for containers at its inland freight terminals.

Audit exemption

For the year ending 31/12/2022 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and preparation of accounts.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared under the historical cost convention in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006.

The financial statements are presented in pounds sterling which is the company's presentation and functional currency. All amounts presented have been rounded to the thousand (£000s), unless otherwise stated.

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, certain disclosure in respect of revenue from contracts with customers, impairment of assets, certain related party transactions, and certain disclosure requirements in respect of leases. Where relevant, equivalent disclosures have been given in the group accounts of GWI UK Acquisition Company Limited.

Consolidated financial statements

The company is a parent and subsidiary undertaking and is exempt from the requirement to prepare group financial statements by virtue of section 401 of the Companies Act 2006. The financial statements therefore present information about the Company as an individual undertaking.

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

New standards, amendments and IFRIC interpretations

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2022 that have had a material impact on the company's financial statements.

Effective date of IAS 16 amendments regarding proceeds before intended use

On 14 May 2020, the IASB issued 'Property, Plant and Equipment - Proceeds before Intended Use (Amendments to IAS 16)' regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Effective date of 2018-2020 annual improvements cycle

On 14 May 2020, the IASB issued 'Annual Improvements to IFRS Standards 2018-2020'. The pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. These four standards are: IFRS 1 First Time Adoption of Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture.

Effective date of IAS 37 amendments regarding onerous contracts

On 14 May 2020, the IASB issued 'Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)' amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Effective date of IFRS 3 amendments updating a reference to the Conceptual Framework

On 14 May 2020, the IASB issued 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Amendments to References to the Conceptual Framework in IFRS Standards

The Company has continued to adopt the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The standard which are amended are IFRS 1, IFRS 3, IFRS 4, IFRS 9, IFRS 16, IFRS 17. IAS 1, IAS 16, IAS 17, IAS 41. FRS 104, FRS 101.

None of the standards, interpretations and amendments effective for the first time from 1 January 2022 have had a material effect on the financial statements.

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Going Concern

The UK Group's base cash forecast show that as a result of operations, discretionary capital expenditure and reasonable expected downside scenarios, the UK Group would require funding in the 12 months from signing of the financial statements. Cash flow needs for the company are managed on a UK Group basis rather than at the individual company level.

The company plans to meet its day-to-day cash flow requirements through its cash reserves and the group borrowing facility. The group borrowing facility secured by US assets, which the UK Group can access through GWI UK Acquisition Company Limited, one of the named entities to the borrowing facility.

Genesee & Wyoming Inc., the immediate parent entity of the UK Group, has demonstrated to management there is significant headroom in the group borrowing facility to support the UK Group, should the need arise. Furthermore, Genesee & Wyoming Inc. has provided management a support letter confirming their intentions to provide financial assistance to the UK Group for at least 12 months from the date of authorising the company's financial statements.

The directors have a reasonable expectation that the company, through group borrowing facility and the support of Genesee & Wyoming Inc., has adequate resources to continue in operational existence for at least 12 months from when these financial statements were approved. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Revenue recognition

Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services performed, stated net of discounts and, value added taxes. The company recognises revenue when performance obligations have been satisfied and for the company this is when the services have transferred to the customer and the customer has control of these. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers. Revenue does not include variable considerations. The nature of the business does not include obligations for returns, refunds, warranties or other similar types of obligations and the Company does not have any long term revenue contracts with customers.

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Activities

Below are details of revenue activities performed by the company the provision of services:

- For Freight Revenue The company generates freight turnover from the haulage of freight by rail based on a per car, per container or per ton basis. Freight turnover is recognised over time as shipments move from origin to destination as the customer simultaneously receives and consumes the benefit. Related expenses are recognised as incurred.
- For Freight related The company generates freight-related turnover from port terminal railroad operations and industrial switching (where the company operates trains on a contract basis in facilities it does not own), as well as demurrage, storage, car hire, trucking haulage services, track access rights, trans-loading, crewing services, traction service (or hook and pull service that requires the company to provide locomotives and drivers to move a customer's train between specified origin and destination points), and other ancillary turnover related to the movement of freight. Freight-related turnover is recognised as services are performed or as contractual obligations are fulfilled.

Defined contribution pension obligation

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

Defined benefit pension obligation

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 101 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Re-measurement of post employment benefit obligations (net)'.

The cost of the defined benefit plan, recognised in the Income Statement as 'pension costs, defined contribution scheme', except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Interest expense

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a *reduction in the proceeds of the associated capital instrument*.

All other finance costs are recognised in the Income Statement in the period in which they are incurred.

Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the Income Statement during the period in which they are incurred.

Impairment of tangible assets

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the *straight-line method*. The estimated useful lives range as follows:

Asset class	Depreciation method and rate
Leasehold land and building	Lease term
Plant and machinery	3 to 30 years
Road fleet	3 to 10 years
Traction and rolling stock	3 to 25 years
Construction in progress	Not depreciated

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income Statement.

Investments

Investments in subsidiaries are measured at cost less accumulated impairment losses.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Stocks

Stock is stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Financial assets and liabilities

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The company classifies all of its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise receivables, cash and commercial paper in the statement of financial position.

Loans and receivables are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Financial liabilities

The company classifies all of its financial liabilities as liabilities at amortised cost.

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the statement of financial position.

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Provisions

Provisions for maintenance obligations, and legal claims are recognised where the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. When payments are eventually made, they are charged to the provision carried in the statement of financial position.

Borrowings

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. *Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.*

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Share-based payments

Where the Company's parent Company has granted rights to its equity instruments to employees of the Company, such arrangements are accounted for as equity-settled share-based payment arrangements. In such instances a capital contribution is recognised to the extent that the Company is not recharged by its parent. Where the Company grants to its employees rights to equity instruments of its parent, the Company accounts for such arrangements as cash-settled share-based payment arrangements.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and that the company will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit and loss account over the period necessary to match them with the costs that they are intended to compensate.

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

- Obtain substantially all the economic benefits from the use of the underlying asset; and
- Direct the use of the underlying asset (eg direct how and for what purpose the asset is used).

Where contracts contain a lease coupled with an agreement to purchase or sell other goods or services (i.e. non-lease components), the company has made an accounting policy election, by class of underlying asset, to account for both components as a single lease component.

Initial recognition and measurement

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments at the incremental borrowing rate (IBR) to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs (e.g. commissions) and an estimate of restoration, removal and dismantling costs.

Subsequent measurement

After the commencement date, the company measures the lease liability by:

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance cost in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for tangible assets. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:

- (a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The company then accounts for these in line with the accounting policy for new leases.

If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g. reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

Short term and low value leases

The company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e. short-term leases).

The company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Sub leases

If an underlying asset is re-leased by the company to a third party and the company retains the primary obligation under the original lease, the transaction is deemed to be a sublease. The company continues to account for the original lease (the head lease) as a lessee and accounts for the sublease as a lessor (intermediate lessor). When the head lease is a short term lease, the sublease is classified as an operating lease.

Otherwise, the sublease is classified using the classification criteria applicable to Lessor Accounting in IFRS 16 by reference to the right-of-use asset in the head lease (and not the underlying asset of the head lease). After classification lessor accounting is applied to the sublease.

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In applying the Company's accounting policies, which are described in note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Lease accounting - accounting judgement

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). This requires judgement.

For leases of tangible assets, the following factors are normally the most relevant:

If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate).

If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).

Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in leases have not been included in the lease liability, because the company could replace the assets without significant cost or business disruption.

Management apply judgement in the determination of the incremental borrowing rate ("IBR") applied to leases. In consideration of the IBR, management consider the term of the lease, security held, and borrowing rates available to fund the asset should the asset have been purchased outright. These considerations result in an estimated implied borrowing rate.

Under certain lease agreements the company makes payments to a maintenance deposit for agreed significant future maintenance events. Where the company performs these maintenance the costs of work done is released by the lessor from the maintenance deposit. The company forecasts the maintenance obligation for estimated future maintenance costs based on the planned usage with the obligation being built over time.

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Useful life of tangible assets - key estimate

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

Defined benefit pension scheme - accounting judgement

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

Defined benefit pension scheme - estimation uncertainty

The cost of the benefits and the present value of the defined benefit pension obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet using an independent actuary specialist. The assumptions reflect historical experience and current trends. The pension asset is managed as part of a pooled assets scheme by the Railpen as the administrator of the scheme and on which they provide an annual independent valuation that is provided to the actuary specialist to consider in the calculation of the net benefit plan position.

Unbilled revenue - estimation uncertainty

On a timely basis, estimates are made to determine the amount of revenue that has been earned but not yet billed by the Company. Key factors within this calculation are the average rate to charge the customer based on historical revenue rates, expected revenue that is expected to be earned during the days when ledgers have been closed, this is based off management's experience with previous trading months.

Identifying whether a contract includes a lease - accounting judgement

Management will determine whether or not a lease is present within a contract in order to ensure that the accounting is in line with the relevant accounting standards. In order to do this, management will use decision trees to ensure that all aspects of the contract are taken into consideration. These are then reviewed by senior management as there can be a significant change between whether or not something is held as a finance lease asset and liability or where the assets are recognised and transactions recorded in line with other financing transactions.

4 Restatement of comparative numbers in prior period

As part of the process of producing consolidated accounts for the group of companies under the ownership of GWI UK Acquisition Company Limited, there have been changes to the classification and categorisation of some balances which has led to a restating of comparative balances in the financial statements and the notes to the financial statements.

There have been no changes to the profit or loss before taxation nor to the net assets or liabilities.

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

Notes to the Unaudited Financial Statements (continued)

Notes to the Unaudited Financial Statements (continued)

5 Prior period adjustments

During the year it was identified that a number of balances had been incorrectly accounted for within the financial statements in the prior year. The impact of restating the comparatives has been disclosed below:

	As previously stated £ 000	Adjustment £ 000	As restated £ 000
Balance sheet			
Creditors: Amounts falling due within one year	(128,580)	(824)	(129,404)
Profit and loss account	<u>(39,040)</u>	<u>(824)</u>	<u>(39,864)</u>

6 Turnover

The analysis of the company's turnover for the year by market is as follows:

	2022 £ 000	2021 £ 000
UK	<u>216,613</u>	<u>194,523</u>

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

Notes to the Unaudited Financial Statements (continued)

7 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2022	2021
	£ 000	£ 000
Government grants	<u>6,890</u>	<u>7,700</u>

Government grants of £6,890k (2021: £7,582k) was received under the Mode Shift Revenue Support Scheme - Intermodal, designed to support the movement of intermodal containers by rail in Great Britain. In 2022, government grants of £Nil (2021: £110k) were received as part of a Government initiative to provide immediate financial support because of COVID-19 furlough scheme. There are no future related costs in respect of these grants which were received solely as compensation for costs incurred in the year. There are no unfulfilled conditions or other contingencies attached to the government assistance.

8 Operating loss

Arrived at after charging

	2022	2021
	£ 000	£ 000
Depreciation on tangible assets	7,124	5,607
Depreciation on right of use assets	15,134	18,336
Raw materials and consumables used	33,904	26,514
Bad debt expense	(1,529)	2,801
Foreign exchange gains	363	11
Loss/(profit) on disposal of tangible assets	89	(90)
Expense on short term and low value leases	<u>4,054</u>	<u>5,005</u>

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

Notes to the Unaudited Financial Statements (continued)

9 Interest payable and similar expenses

	2022	2021
	£ 000	£ 000
Interest on bank overdrafts and borrowings	154	448
Interest on defined benefit pension obligation	968	1,050
Interest expense on leases	4,528	4,196
Covid rent concessions	598	770
	<u>6,248</u>	<u>6,464</u>

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

Notes to the Unaudited Financial Statements (continued)

10 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2022	2021
	£ 000	£ 000
Wages and salaries	58,336	55,345
Social security costs	6,080	5,823
Pension costs, defined contribution scheme	506	280
Pension costs, defined benefit scheme	6,388	9,235
Redundancy costs	214	246
	<u>71,524</u>	<u>70,929</u>

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

Notes to the Unaudited Financial Statements (continued)

10 Staff costs (continued)

The monthly average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2022	2021
	No.	No.
Administration and support	282	239
Operations	717	793
	<u>999</u>	<u>1,032</u>

Certain employees are granted restricted stock units, which provide the employees the right to acquire a specified number of shares of Class A Common Stock in Genesee & Wyoming Inc., the ultimate parent entity of the company, once certain time-based restrictions are met. These restricted share units are generally granted once per year and vest in three annual instalments (34%-33%-33%) of the units on the first, second and third anniversaries of the grant dates respectively, and each unit upon such vesting entitles for one share of G&W's class A common stock. The grant date fair value of the restricted stock units is recognised in the statement of comprehensive income on a straight-line basis over the vesting period.

On 28th February 2019, the Company granted 2,101 shares of Restricted Stock Unit Awards ("RSU's") with a grant date fair value of \$82.00. The shares vest over the service period in accordance with the Plan and the grant agreement (typically 3-years). On March 15 2019, the Company granted 3,261 shares of Performance-Based Restricted Stock Unit Awards ("PBRSU's") with a grant date fair value of \$85.46. These were performance-based grant options and no similar options were granted in the previous years.

Following the acquisition of Genesee & Wyoming Inc. by Brookfield Infrastructure Partners on 30th December 2019, all the employee share options crystalized and vested including the performance-based share options. In January 2020, payments were made to all employees who participated in the share option scheme by the issuer (the parent company) through the company with respect to all outstanding options as at 30th December 2019 at \$112.00 per unit, the transaction price of the acquisition. No share options were issued in 2020 or 2021.

Per the conditions of the Grant document, in the event of termination of employment or service with G&W or any Subsidiary prior to the complete vesting of the Award, the unvested portion of the Award shall be forfeited as of the date of such termination.

11 Directors' remuneration

During the year and in prior year, no directors received any emoluments for their services to the company.

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

Notes to the Unaudited Financial Statements (continued)

12 Auditors' remuneration

	2022	2021
	£ 000	£ 000
Allocation of audit fees for audit related assurance services	-	112
Fees to auditors for non-audit services	-	26
	<u>-</u>	<u>138</u>

The company no longer requires an audit due to the s479A exemption as per Companies Act 2006 and the group's audit fee is presented in the consolidated accounts of GWI UK Acquisition Company Limited.

13 Income tax

Tax charged/(credited) in the profit and loss account

	2022	2021
	£ 000	£ 000
Current taxation		
Foreign withholding tax	7	19
Deferred taxation		
Arising from origination and reversal of temporary differences	-	(177)
Tax expense/(receipt) in the profit and loss account	<u>7</u>	<u>(158)</u>

The differences between the tax for the year at the standard rate of corporation tax in UK of 19 % (2021: 19%) are reconciled below:

	2022	2021
	£ 000	£ 000
Loss before tax	<u>(9,419)</u>	<u>(21,300)</u>
Corporation tax at standard rate	(1,789)	(4,047)
Increase from effect of expenses not deductible in determining taxable profit	354	326
Decrease from tax losses for which no deferred tax asset was recognised	21	-
Group relief for zero consideration	1,414	62
Foreign withholding tax	7	19
Increase in current tax from unrecognised tax loss or credit	-	3,659
Decrease in current tax from unrecognised temporary difference from a prior period	-	(177)
Total tax charge/(credit)	<u>7</u>	<u>(158)</u>

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

Notes to the Unaudited Financial Statements (continued)

13 Income tax (continued)

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. Deferred tax balances on temporary differences as at 31 December 2022 have been measured at 25% where these are expected to unwind post 1 April 2023.

Freightliner Limited

**Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022
(continued)**

Notes to the Unaudited Financial Statements (continued)

13 Income tax (continued)

Deferred tax

Deferred tax movement during the year:

	At 1 January 2022 £ 000	Recognised in income £ 000	At 31 December 2022 £ 000
Accelerated tax depreciation	804	255	1,059
Pension benefit obligations	187	(187)	-
Revaluation of property	(991)	(68)	(1,059)
Leases	-	-	-
Net tax assets/(liabilities)	<u>-</u>	<u>-</u>	<u>-</u>

Deferred tax movement during the prior year:

	At 1 January 2021 £ 000	Recognised in income £ 000	At 31 December 2021 £ 000
Accelerated tax depreciation	(325)	1,129	804
Pension benefit obligations	876	(689)	187
Revaluation of property	(490)	(501)	(991)
Leases	(61)	61	-
Net tax assets/(liabilities)	<u>-</u>	<u>-</u>	<u>-</u>

There are unrecognised deferred tax assets of £4,994,939 (2021: £18,610,862) for which no deferred tax asset is recognised in the balance sheet.

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

Notes to the Unaudited Financial Statements (continued)

14 Tangible Assets

	Leasehold land and building £ 000	Plant and machinery £ 000	Road fleet £ 000	Traction and rolling stock £ 000	Construction in progress £ 000	Total £ 000
Cost or valuation						
At 1 January 2022	115,227	13,925	11	128,777	-	257,940
Additions	-	-	-	-	10,108	10,108
Disposals	-	-	-	(680)	-	(680)
Transfers	28	227	-	9,316	(9,571)	-
At 31 December 2022	<u>115,255</u>	<u>14,152</u>	<u>11</u>	<u>137,413</u>	<u>537</u>	<u>267,368</u>
Depreciation						
At 1 January 2022	23,620	12,309	10	86,168	-	122,107
Charge for the year	2,086	250	-	4,789	-	7,125
Eliminated on disposal	-	-	-	(591)	-	(591)
At 31 December 2022	<u>25,706</u>	<u>12,559</u>	<u>10</u>	<u>90,366</u>	<u>-</u>	<u>128,641</u>
Carrying amount						
At 31 December 2022	<u>89,549</u>	<u>1,593</u>	<u>1</u>	<u>47,047</u>	<u>537</u>	<u>138,727</u>
At 31 December 2021 (As restated)	<u>91,607</u>	<u>1,616</u>	<u>1</u>	<u>42,609</u>	<u>-</u>	<u>135,833</u>

15 Stocks

	31 December 2022 £ 000	31 December 2021 £ 000
Raw materials and consumables	<u>2,011</u>	<u>4,121</u>

During the year £34,294k (2021: £26,968k) of inventory has been recognised as an expense in the profit and loss account. No stocks are pledged as security at the current balance sheet date (2021: Nil)

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

Notes to the Unaudited Financial Statements (continued)

16 Investments

Details of the subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held	
				2022	2021
Freightliner Railports Limited	Terminal handling	35 Bull Street, Birmingham, B4 6EQ UK	Ordinary	100%	100%
				£	
Cost					
At 1 January 2022 and 31 December 2022				<u>100</u>	

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

Notes to the Unaudited Financial Statements (continued)

17 Debtors: amounts falling due within one year

	31 December 2022 £ 000	31 December 2021 £ 000
Trade receivables	51,678	52,909
Provision for impairment of trade receivables	<u>(1,321)</u>	<u>(2,783)</u>
Net trade receivables	50,357	50,626
Amounts receivable from group undertakings	75,429	82,724
Prepayments	1,676	1,269
Other receivables	<u>3,939</u>	<u>2,222</u>
	<u>131,401</u>	<u>136,841</u>

Amounts receivable from related parties are unsecured, interest free and repayable on demand. The related party transactions entered into are between two or more members of a group of which any subsidiary party to the transaction is a wholly owned member. All related subsidiaries are covered by a letter of support from Genesee & Wyoming Inc.

The company's exposure to credit and market risks, including maturity analysis, relating to trade and other receivables is disclosed in the financial risk review note.

18 Cash at bank and in hand

	31 December 2022 £ 000	31 December 2021 £ 000
Cash at bank	<u>641</u>	<u>612</u>

Freightliner Limited

**Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022
(continued)**

Notes to the Unaudited Financial Statements (continued)

19 Called up share capital

Allotted, called up and fully paid shares

	31 December 2022		31 December 2021	
	No.	£	No.	£
Ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>

All shares are treated as ordinary shares and rank equally in respect of shareholder rights.

Authorised and issued share capital is 20,000 Ordinary shares (2020: 20,000).

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

Notes to the Unaudited Financial Statements (continued)

20 Right of use assets

The company has lease contracts for various properties, traction and rolling stock, fleet vehicles and equipment used in the operations. The amount recognised in the financial statements in relation to the leases are as follows:

	Leasehold land and buildings £ 000	Plant and machinery £ 000	Road Fleet £ 000	Traction and rolling stock £ 000	Total £ 000
Cost					
At 1 January 2022	42,151	17,709	28,243	83,910	172,013
Additions	45	167	2,605	1,928	4,744
Remeasurement	67	-	-	-	67
Disposals	(135)	(315)	(329)	(3,898)	(4,677)
At 31 December 2021	<u>42,128</u>	<u>17,561</u>	<u>30,519</u>	<u>81,940</u>	<u>172,147</u>
Depreciation					
At 1 January 2022	(1,437)	(4,348)	(12,939)	(35,592)	(54,316)
Charge for year	(594)	(3,361)	(3,167)	(8,006)	(15,129)
Disposals	135	248	165	798	1,346
At 31 December 2021	<u>(1,896)</u>	<u>(7,461)</u>	<u>(15,941)</u>	<u>(42,800)</u>	<u>(68,099)</u>
NBV					
At 31 December 2022	<u>40,232</u>	<u>10,099</u>	<u>14,578</u>	<u>39,138</u>	<u>104,048</u>
At 31 December 2021	<u>40,714</u>	<u>13,361</u>	<u>15,304</u>	<u>48,317</u>	<u>117,696</u>

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments that arise from rent concessions was £nil debit (2020: £770k debit).

Freightliner Limited

**Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022
(continued)**

Notes to the Unaudited Financial Statements (continued)

20 Right of use assets (continued)

	Minimum lease payments £ 000	Interest £ 000	Present value £ 000
31 December 2022			
Within one year	17,743	(3,153)	14,590
In two to five years	39,940	(9,458)	30,481
In over five years	167,280	(106,633)	60,647
Total	<u>224,962</u>	<u>(119,244)</u>	<u>105,718</u>
31 December 2021			
Within one year	20,640	(3,478)	17,163
In two to five years	47,122	(10,084)	37,038
In over five years	173,102	(108,811)	64,291
Total	<u>240,865</u>	<u>(122,373)</u>	<u>118,492</u>

Leases included in creditors

	31 December 2022 £ 000	31 December 2021 £ 000
Current portion of long term lease liabilities	14,590	17,163
Long term lease liabilities	91,128	101,329
	<u>105,718</u>	<u>118,492</u>

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

	31 December 2022 £ 000	31 December 2021 £ 000
Payment		
Principal payment	17,128	15,682
Interest (net of rent concessions)	4,144	4,967
Short term and low value leases	-	5,005
Total cash outflow	<u>21,272</u>	<u>25,654</u>

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

Notes to the Unaudited Financial Statements (continued)

21 Provision for liabilities

	Insurance claims £ 000	Environmental provision £ 000	Maintenance obligations £ 000	Total £ 000
At 1 January 2022 - As restated	551	241	9,957	10,749
Movement in provision	-	-	8,369	8,369
Utilisation	-	-	(2,615)	(2,615)
Increase (decrease) due to passage of time or unwinding of discount	-	-	154	154
Warranties	80	-	-	80
At 31 December 2022	<u>631</u>	<u>241</u>	<u>15,865</u>	<u>16,737</u>
Non-current liabilities	<u>-</u>	<u>-</u>	<u>14,636</u>	<u>14,636</u>
Current liabilities	<u>631</u>	<u>241</u>	<u>1,229</u>	<u>2,101</u>

Insurance claims

The provision for insurance claims relates to amounts provided in respect of open and potential claims against the company. The provision represents the net liability and any amounts recoverable from insurance companies are shown within receivables, if applicable.

Maintenance provisions

The provision for maintenance costs relates to amounts provided in respect of maintenance associated with the company's obligation under its rolling stock lease commitments.

Environmental provision

The environmental provision is in respect of expected environmental related costs at operational sites.

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

Notes to the Unaudited Financial Statements (continued)

22 Creditors: Amounts falling due within one year

	31 December	31 December
	2022	2021
	£ 000	£ 000
Trade payables	(195)	6,904
Accrued expenses	10,584	14,008
Amounts due to related parties	93,681	82,538
Social security and other taxes	1,763	5,851
Other payables	1,055	661
Loans and borrowings	1,283	2,214
Deferred income	91	65
Current portion of long term lease liabilities	14,590	17,163
	<u>122,852</u>	<u>129,404</u>

Amounts payable to related parties are unsecured, interest free and repayable on demand. The related party transactions entered into are between two or more members of a group of which any subsidiary party to the transaction is a wholly owned member. All related subsidiaries are covered by a letter of support from Genesee & Wyoming Inc.

23 Creditors: Amounts falling due after more than one year

	31 December	31 December
	2022	2021
	£ 000	£ 000
Loans and borrowings	22,009	22,309
Long term lease liabilities	91,128	101,329
	<u>113,137</u>	<u>123,638</u>

The loans and borrowings amount relates to the purchase of 115 FFA-G wagons. The total amount owed at 31 December 2022 is £23,292k (2021: £25,505k), of which £1,283k (2021: £2,214k) is classified within Creditors: Amounts falling due within one year.

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

Notes to the Unaudited Financial Statements (continued)

24 Pension and other schemes

Defined benefit pension schemes

Railway pension scheme

The company participates in a standalone shared cost final salary defined benefit pension plan (the "Plan"). The Plan is managed and administered by the Railways Pension Scheme and is overseen by trustees with professional advice from independent actuaries and other advisers. The Plan is a shared cost arrangement with required contributions shared between the company and its employees with the company contributing 60% and the remaining 40% contributed by active employees. The company engages independent actuaries to compute the amounts of liabilities and expenses relating to the Plan subject to the assumptions that the company selects.

The Plan's assets and liabilities are subject to fluctuation arising from market returns, future salary increases, inflation rates, mortality rates and creditworthiness of the company. The Plan is subject to a triennial valuation. The figures presented are based on the latest valuation as updated by the company's independent actuaries, XPS Pension Group.

Risks

Investment risk

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Asset risk

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a greater deficit.

Inflation risk

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (in the case of fixed interest bonds) or loosely correlated with (in the case of equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy risk

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

Notes to the Unaudited Financial Statements (continued)

24 Pension and other schemes (continued)

	31 December 2022 £ 000	31 December 2021 £ 000
Fair value of scheme assets	168,722	182,077
Present value of scheme liabilities	<u>(174,869)</u>	<u>(239,370)</u>
Defined benefit pension scheme deficit	<u>(6,147)</u>	<u>(57,293)</u>

Scheme assets

Changes in the fair value of scheme assets are as follows:

	31 December 2022 £ 000	31 December 2021 £ 000
Fair value at start of year	182,077	160,120
Interest income	3,287	1,976
Actuarial gains arising from changes in financial assumptions	(15,125)	23,087
Contributions by scheme participants	5,140	3,978
Benefits paid	(6,004)	(6,361)
Administrative expenses paid	<u>(653)</u>	<u>(725)</u>
Fair value at end of year	<u>168,722</u>	<u>182,075</u>

Analysis of assets

The major categories of scheme assets are as follows:

	31 December 2022 £ 000	31 December 2021 £ 000
Return on seeking assets	105,919	117,955
Government bond pooled fund	<u>62,803</u>	<u>64,120</u>
	<u>168,722</u>	<u>182,075</u>

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

Notes to the Unaudited Financial Statements (continued)

24 Pension and other schemes (continued)

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	31 December 2022 £ 000	31 December 2021 £ 000
Present value at start of year	(239,370)	243,438
Current service cost	(5,734)	8,509
Actuarial losses arising from changes in financial assumptions	105,202	(9,242)
Interest cost	(4,255)	3,026
Benefits paid	<u>6,004</u>	<u>(6,361)</u>
Present value at end of year	<u>(138,153)</u>	<u>239,370</u>

Freightliner Limited

**Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022
(continued)**

Notes to the Unaudited Financial Statements (continued)

24 Pension and other schemes (continued)

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	31 December 2022	31 December 2021
	%	%
Discount rate	4.80	1.80
Future salary increases	2.20	2.60
Future pension increases	2.40	2.80
Inflation	<u>2.40</u>	<u>2.80</u>

Post retirement mortality assumptions

	31 December 2022	31 December 2021
	Years	Years
Current UK pensioners at retirement age - male	20.50	20.50
Current UK pensioners at retirement age - female	22.80	22.60
Future UK pensioners at retirement age - male	21.40	21.50
Future UK pensioners at retirement age - female	<u>24.00</u>	<u>23.80</u>

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

Notes to the Unaudited Financial Statements (continued)

24 Pension and other schemes (continued)

Amounts recognised in the income statement

	31 December 2022 £ 000	31 December 2021 £ 000
Amounts recognised in operating profit		
Current service cost	(5,734)	(8,509)
Administrative expenses paid	(653)	(725)
Recognised in arriving at operating profit	<u>(6,387)</u>	<u>(9,234)</u>
Amounts recognised in finance income or costs		
Net interest	(968)	(1,050)
Total recognised in the income statement	<u>(7,355)</u>	<u>(10,284)</u>

Amounts taken to the Statement of Comprehensive Income

	31 December 2022 £ 000	31 December 2021 £ 000
Actuarial gains/(losses) from changes in financial assumptions	<u>53,359</u>	<u>32,329</u>

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

Notes to the Unaudited Financial Statements (continued)

24 Pension and other schemes (continued)

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	31 December 2022		31 December 2021	
	+ 0.1%	- 0.1%	+ 0.1%	- 0.1%
	£ 000	£ 000	£ 000	£ 000
Adjustment to discount rate				
Impact on total obligation	<u>23,001</u>	<u>23,001</u>	<u>65,280</u>	<u>65,280</u>
	31 December 2022		31 December 2021	
	+ 0.1%	- 0.1%	+ 0.1%	- 0.1%
	£ 000	£ 000	£ 000	£ 000
Adjustment to rate of inflation				
Impact on total obligation	<u>21,113</u>	<u>21,113</u>	<u>61,128</u>	<u>61,128</u>
	31 December 2022		31 December 2021	
	+ 1 Year	- 1 Year	+ 1 Year	- 1 Year
	£ 000	£ 000	£ 000	£ 000
Adjustment to mortality age rating assumption				
Impact on total obligation	<u>3,662</u>	<u>3,662</u>	<u>11,245</u>	<u>11,245</u>

An increase of 0.1% to the discount rate would result in a reduction of liability whereas a decrease of 0.1% to the discount rate would result in increase of liability. An increase of 0.1% to the inflation rate would increase the liability whereas a decrease in inflation rate results in a reduction in liability. Increasing the mortality age by 1 year would lead to an increase in liability whereas a decrease in mortality age would lead to a reduction in liability.

Freightliner Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

Notes to the Unaudited Financial Statements (continued)

25 Commitments

Capital commitments

The total amount of tangible assets contracted for but not provided in the financial statements was £27,713 (2021 - £1,807,872).

26 Parent and ultimate parent undertaking

The company's immediate parent is Management Consortium Bid Limited.

The ultimate parent is Brookfield Corporation. These financial statements are available upon request from Suite 300, Brookfield Place, 181 Bay Street, Toronto, Canada.

The ultimate controlling party is Brookfield Corporation.

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Brookfield Corporation, incorporated in Canada.

The address of Brookfield Corporation is:
Suite 300, Brookfield Place, 181 Bay Street, Toronto, Canada.

The parent of the smallest group in which these financial statements are consolidated is GWI UK Acquisition Company Limited, incorporated in UK with the same address.

27 Post balance sheet events

There were no adjusting events and non-adjusting events after the Reporting Period. Despite the uncertainty surrounding the current macro economic environment, the breadth of operations and stability of customer contracts, result in there being no material impact on the entity. Any impact from cost of living increases would be offset through relevant pricing, given they are widely known macro economic movements. The movement in financial markets through H2 2022 has reduced the pension liability, and is being managed through ongoing discussion on this with the pension trustees.