

Company registration number: 02315380 (England and Wales)

**RAILPEN LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

# RAILPEN LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	A Burns M Cash J Chilman M Craston (Chair) F Hassan R Murray M Sullivan G Towse
<b>Company Secretary</b>	Railpen Corporate Secretary Limited
<b>Company registration number</b>	02315380
<b>Registered office</b>	100 Liverpool Street London EC2M 2AT
<b>Independent auditor</b>	KPMG LLP 15 Canada Square London E14 5GL

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# RAILPEN LIMITED

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# **RAILPEN LIMITED**

## **STRATEGIC REPORT**

***FOR THE YEAR ENDED 31 DECEMBER 2023***

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### **Background and business model**

Railpen Limited (“Railpen” or “the Company”) is a subsidiary of Railways Pension Trustee Company Limited (“RPTCL” or “the Trustee Company”), which is the corporate trustee of the principal UK railways industry-wide pension schemes. Railpen was incorporated in 1988 and provides a full range of pension services, including pension scheme administration, fiduciary services and governance support, to pension schemes and their trustees.

The Trustee Company, in its capacity as trustee of the railways pension schemes, has provided assurances that the services of Railpen will continue to be used by the schemes for the foreseeable future. Any potential shortfall in Railpen’s current assets compared to its liabilities, would, to the extent necessary, be met from the schemes’ assets, in keeping with the trust documentation for the schemes. Having considered this confirmation of reassurance, the directors are satisfied the Company can meet its obligations as they fall due for the foreseeable future.

Railpen’s trading with the Trustee Company is conducted on a Mutual basis (the “Mutual”), while trading with third parties is conducted on a conventional arm’s length basis. Surpluses from Mutual trading do not form part of Railpen’s reserves and are shown as a separate Mutual fund on the Balance Sheet. A Mutual Committee was established to ensure the interests of the Trustee Company in the Mutual business are protected.

### **Purpose, strategy and culture**

Railpen is organised around its purpose, to “secure our members’ future”. This purpose is at the heart of the strategy, defining why the organisation exists and driving the strategic goals, objectives, measures and initiatives that together comprise the strategic plan.

Railpen continues to make progress against its strategy which includes eight strategic goals aligned to ensuring the Company achieves its purpose and comprise of:

- ‘Foundational’ goals – focusing on people, platforms and professional relationships with key stakeholders; and
- ‘Outcome’ goals – focusing on the members, employers, the development of rail pensions solutions, providing fiduciary advice and achieving desired investment outcomes.

The Company continues to embed a strong culture and aims to attract, develop and retain talented individuals who are passionate about delivering its core purpose. Our cultural change programme, established in 2022, ‘Belonging at Railpen’, continues to evolve with a focus on developing the employee valuation proposition (“EVP”) in areas such as leadership development, career progression, developing our diversity, equity and inclusion strategy, focusing on the health, safety and wellbeing of colleagues, developing relationships with colleagues through Colleague Connection forums and the development of organisational values and behaviours. In December 2023, we also saw the highest ever year-end and joint highest ever eNPS (Employee Net Promoter Score) for Railpen. This is a reflection of how strongly many of our people would recommend Railpen as a place to work. As part of this programme, in October 2023 we launched our values which were developed internally by colleagues to represent who we are and what beliefs and principles we hold the most sacred: Integrity, Community and Alignment.

# RAILPEN LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2023**

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### Principal risks and uncertainties

#### ***Three lines of defence***

The approach to enterprise risk management at Railpen is based upon the 'three lines of defence' model. All colleagues have a role to play in enterprise risk management and all three lines of defence work together on an ongoing basis to protect the Company's business, clients, people and brand, with specific responsibilities of each line in identifying and managing enterprise risks.

#### ***First line of defence***

Business Units and Functions own and manage day-to-day business activities, operating practices, day to day risk management and decision making.

#### ***Second line of defence***

Management functions that independently perform risk and compliance oversight. They challenge and advise the first line of defence on risk and compliance topics.

#### ***Third line of defence***

Independent assurance and reporting provided by Internal Audit on the adequacy of internal controls across all areas of the business. Their responsibilities include delivering a systematic and disciplined approach to evaluating the effectiveness of the organisation's risk management, control environment and governance processes.

#### ***Risk framework***

Railpen operates a robust and comprehensive Enterprise Risk Management framework, with linked policies and directives, for the management of risk. This is designed so that risks are effectively identified, managed, monitored, actioned and reported within the business. Risks are linked to the Company's strategy, meaning that there is clear visibility of how the management of risk helps to deliver upon Railpen's purpose and goals.

Railpen's structure, includes a second line of defence, Enterprise Risk team, which reports into the Chief Risk & Compliance Officer, a member of the ExCom. The Enterprise Risk team is made up of risk specialists, who partner with the business in providing support, challenge and oversight to business units, functions and risk owners. The team provide the various bodies in Railpen's governance framework, with the risk information and insight needed through reporting, for them to discharge their duties and oversee the operation of risk.

Risks are identified on an ongoing basis. This could be through risk owners in the business identifying new risks, responding to regulatory or business change or through a regular assessment of the risks that apply, including the likelihood and impact of these occurring and the measures in place to mitigate them. Risks are measured through key risk indicators ("KRIs"), with regular reporting to Boards and Committees. The Company has an organisation-wide Enterprise Risk system, which captures all risks in one place, and allows for regular reporting and analysis. First line of defence risk owners are responsible for the active management of risks within their team or function.

# **RAILPEN LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2023**

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### ***Risk governance***

The Board has ultimate responsibility for the ownership of enterprise risk. The Board annually approves the Enterprise Risk Governance Framework and key policies, sets and monitors risk appetite, through quarterly risk appetite assessments, and regularly reviews the strength of risk management. The Board delegates a number of its responsibilities to the Railpen Enterprise Risk Committee ("RERC"). At the RERC, further scrutiny is provided, to ensure that enterprise risks are being managed appropriately and effectively within Railpen. Railpen's governance structure is split into three levels:

Level 1: Boards and Committees: Oversee the governing parameters, which set the necessary expectations and context for enterprise risk management and related business decisions. They also provide oversight and challenge, ensuring delegated authorities are appropriate.

Level 2: Management Committees: These operate within defined frameworks and policies and are granted authority to manage enterprise risk and make related business decisions that are overseen by the Boards and Committees. They can delegate further enterprise risk management and more detailed but less material business decisions to individual teams/colleagues.

Level 3: Business Unit and Functional Leadership: Responsible for execution of processes and bottom-up enterprise risk management.

### ***Risk appetite***

Railpen further manages its key risks, through the use of risk appetite statements and thresholds. These statements provide Railpen with the level of risk that the Company is prepared to accept for each category of risk and the strength of the control environment that is expected to be in place to facilitate this. Risk appetite is regularly reviewed by the Railpen Board and the RERC. An assessment of risk appetite against key risks (which includes KRI data, risk events, and assurance activity) is regularly reported to the Board and the RERC. A suite of indicators has been developed to measure risk culture in the business, helping to further drive performance of risk activities in the first line of defence. These indicators are regularly reviewed to ensure they provide the best information to inform the assessment against risk appetite.

### ***Principal risks***

The operational risk profile of Railpen continues to improve, as the ExCom furthers its investment and focus in governance, risk and compliance initiatives across the business. The business is subject to operational risks derived from its people, processes, technology or from external events. They require appropriate review to ensure that all key risks are captured, that the impact and likelihood of a risk crystallising is fully understood and that there are appropriate controls in place to mitigate the risk. An annual review of all Key Risks is performed to ensure that these remain appropriate for Railpen.

Through the Enterprise Risk Governance Framework, Railpen's principal risks and uncertainties have been identified. These are based on the potential to disrupt the delivery of Railpen's key strategic objectives, and where the organisation may therefore be acting outside of risk appetite tolerances if appropriate mitigations are not put in place. These principal risks are regularly reviewed by the ExCom's Executive Risk Committee (ERC) and the Board, alongside a wide suite of key risks.

# RAILPEN LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Risk and Potential Impact	Control/Mitigation
<p><b>People and Culture</b> Disruptions to delivering Railpen’s purpose caused by people related matters.</p> <p>An ineffective or inappropriate culture that drives behaviour at Railpen, making it difficult to execute the Company’s strategy and deliver its purpose.</p>	<p>Diversity, Equity &amp; Inclusion Council in place with remit to review, oversee and challenge Railpen progress against developing an inclusive and diverse culture.</p> <p>Wellbeing Strategy in place, including regular events and training for colleagues, and establishment of Mental Health First Aiders throughout the business.</p> <p>Employee Net Promoter Score ("eNPS") surveys undertaken which highlight areas on which Railpen needs to focus and what to address.</p> <p>Skills matrices and succession planning in place, as well as strategies for ongoing recruitment and people planning, led by an in-house Talent Acquisition team.</p> <p>Colleague Connection Forums are in place and meet regularly, providing an opportunity for the voices of colleagues to be heard.</p> <p>Clear objectives set for all colleagues through Job on a Page ("JOAP") process, linked to the Railpen purpose. Regular performance reviews for all colleagues with key accountabilities, behaviours and priorities set for all colleagues.</p> <p>People and Culture Committee ("PCC") in place. The monthly meetings focus on all people related initiatives which will ultimately develop the culture Railpen aspires to.</p> <p>A variety of Learning and Development programmes exist across different levels of colleagues (e.g. Leadership Programme and 'Managing the Railpen Way'), designed to drive the right behaviours that are consistent with organisational values.</p> <p>2023 saw the launch of the 'Railpen Values', which are expected from all colleagues – "Integrity, Community and Alignment".</p>
<p><b>Supplier</b> The insolvency or failure of a third party who is responsible for providing Railpen’s infrastructure for administering the pensions of members, or other critical services.</p> <p>The failure of critical outsourcing providers and/or failure of Railpen to meet its contractual obligations could significantly disrupt Railpen’s ability to operate.</p>	<p>Supplier Oversight Framework in place, including regular formal contract management processes undertaken for key suppliers.</p> <p>2023 saw the creation of a Supplier Oversight Function with remit to apply a consistent and robust process for overseeing the delivery of key suppliers, and holding them to account.</p> <p>Due diligence undertaken as part of the procurement and on-boarding processes, including supplier arrangements for business continuity, disaster recovery and information/cyber security.</p> <p>Business Continuity and Disaster Recovery plans in place, with scenario analysis and testing undertaken on a regular basis.</p> <p>Relationship management structures are in place with key suppliers, underpinned by service level agreements, regular management information and incident escalation and resolution protocols.</p>

# RAILPEN LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Risk and Potential Impact	Control/Mitigation
<p><b>Data Management</b> Failure to maintain and secure member records and other sensitive data in line with legislative and regulatory expectations.</p>	<p>A dedicated Data Protection resource in place, who sits in the second line of defence and is involved in challenging the business on data risks, as well as providing tools, training and awareness to Railpen.</p> <p>Network of 'Information Custodians' sit in the business to provide advice, insight and delivery of work relating to data protection.</p> <p>Information security and data protection policies and procedures are in place.</p> <p>Annual colleague training on data handling and information security.</p> <p>Ongoing maintenance of Railpen's ISO27001 accreditation.</p>
<p><b>IT and Information Security (including Cyber)</b> Failure to safeguard information accurately and/or securely. Additionally, it also includes the risk of financial loss, disruption or damage to Railpen's reputation due to a security incident, resulting in the inability to fulfil critical business services and/or comply with regulatory obligations.</p> <p>Inefficient or ineffective technology architecture, or material service outages. The inability to deliver business critical services resulting in an adverse impact on clients, members and internal functions and business units.</p>	<p>Security Operations Centre ("SOC") in place, which actively monitors all services on the Company's infrastructure as part of its security measures (including key network and boundary resources, intrusion detection and prevention systems).</p> <p>Phishing campaigns are run to train colleagues to recognise and report real attacks.</p> <p>Mandatory Information Security awareness training is required to be taken annually by all colleagues.</p> <p>Access Control policy and process in place which provides prevention against unauthorised access to information.</p> <p>Deployment of complex technical IT security controls to protect the Company's information and key systems. Use of external specialists to validate the effectiveness of Railpen's controls against industry best practice.</p> <p>Robust Business Continuity and Disaster Recovery plans in place which are tested regularly.</p> <p>Architecture and Engineering Development Standards and controls in place, forming part of the Change and Design Governance process.</p>
<p><b>Transaction Processing and Execution</b> Failing to process and execute member, investment and accounting transactions timely or accurately as a result of process, data, human or system error or issue.</p>	<p>Competency assessments are carried out for colleagues, to identify knowledge gaps and identify and address training requirements.</p> <p>A suite of automated and manual controls exist across all our processes providing preventative and detective mitigation.</p> <p>Segregation of duties in place between those initiating and processing / authorising transactions.</p> <p>Regular checking, control reports and reconciliations performed to identify any anomalies that need rectification.</p>

# RAILPEN LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

Risk and Potential Impact	Control/Mitigation
<b>Financial Risk Management</b> The Company's Balance Sheet position is impacted by its defined benefit pension liabilities (with changes to these figures impacted by actuarial assumptions such as mortality rates, life expectancy, interest costs and inflation/investment return expectations).	A third party expert is engaged by the Company to prepare the actuarial assumptions for review by management. Benchmarking analysis is considered and assumptions are reviewed and approved by the Audit & Governance Committee.
Interest exposure and/or inflation risk arises on cash balances, which are based on variable market interest rates. This exposure fluctuates based on operating requirements.	The Company has very limited exposure to interest rate risk as it has no external debt. Income from third party pension schemes business is supported by the agreement of third party credit terms and exposures are set and regularly monitored.
Credit risk is considered to be limited given the majority of customers are the railways pension schemes themselves, where the parent company acts as the Corporate Trustee.	

### Financial performance

Turnover for the year under review was £133.5m (2022 - £114.9m). The loss before tax for the financial year was £1.5m (2022 – loss of £1.3m). The loss is largely a result of the current increased level of operating costs, as Railpen continues to progress a number of strategic initiatives.

Cash at bank and in hand amounted to £16.7m as at 31 December 2023 (2022 - £12.2m).

The Company continues to have a strong Balance Sheet with net current assets amounting to £10.3m as at 31 December 2023 (2022 - £13.2m). Net assets amounted to £20.1m as at 31 December 2023 (2022 - £22.9m).

It is within the remit of the Mutual Committee to determine what proportion of the pension deficit is attributable to the Mutual business. This is in line with the provisions of the Mutual Agreement. As at 31 December 2023, the Mutual share of the pension deficit was £5.1m (2022 – deficit of £0.7m).

### Performance indicators

The Board monitored the Company's performance throughout the year against strategy using a range of financial and non-financial key performance indicators across four categories (Commercial, Customer, Control and Community) as well as through general oversight of business performance and delivery. Noting that the total number of measures increased year on year and therefore do not reflect a direct comparison to the prior year, the directors are satisfied with 2023 performance, with seventeen of the twenty four measures having met or exceeded their target (2022: twelve out of fifteen):

- Commercial – 2 of 6 targets met with the following measures not meeting target: 'Growth pooled fund', 'Employee Benefits contribution', 'Projects not delivered against plan' and 'Planned roles hired for 2023'.
- Customer – 6 of 6 targets met including 'Employer and Pension Committee Net Promoter Scores and Satisfaction'.
- Control – 4 of 6 targets met including 'Cyber score', 'Compliance breaches' and 'Employee e-Learning compliance'. Those not meeting target are 'Key risks outside appetite' and 'Internal audit actions completed on time'. Both of which have management plans in place.
- Community – 5 of 6 targets met including 'Employee Net Promoter Score', 'Inclusion score' and 'Performance conversations being held'. The 'Proportion of total attrition regretted' was above target.

# **RAILPEN LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2023***

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### **Future outlook**

During 2023, a strategic review was undertaken by the Trustee Board, whose responsibility is to act fairly in the interests of members, pensioners and employers. The Trustee Board approved their strategic goals in November 2023. Given the Trustee Board delegates the day-to-day running of the railways pension schemes, and the management of its assets, to Railpen, work was initiated in late 2023 to review and align Railpen's long-term strategy in response to the Trustee Board's strategic goals. Railpen's response to the Trustee strategy is expected to develop throughout 2024 and will inform the long-term direction of Railpen. In the meantime, Railpen continues to maintain and develop rolling three year business plans to address the medium-term priorities of the business and make progress against Railpen's stated strategic goals.

In early 2024, Railpen's CEO, John Chilman, announced his planned retirement and will be leaving Railpen in April 2025. The process to recruit and plan for the transition to his successor has commenced.

We will continue to monitor the emerging regulatory landscape and market developments to ensure Railpen is well positioned to deliver on its purpose, to "secure our members' future".

### **Directors' statement of compliance with duty to promote the success of the Company (under Section 172 (1) of the Companies Act 2006)**

#### ***Long-term consequences of decisions made in the year***

The interests of the members of the railways pension schemes continue to be considered as part of the decision-making process and the Company's purpose to "secure our members' future" continues to be embedded into the culture and operating model of the business. The Board consider and analyse the long-term consequences of decisions which have a material impact on the business and its stakeholders.

#### ***Colleague involvement and engagement***

Regular and meaningful communication with all colleagues is a key focus of the leadership teams across Railpen. This is delivered through a range of channels. For example, the ExCom presents at regular colleague gathering events, where key business updates and decisions are shared, with anyone able to ask questions. The Company's intranet sites are well used, with all key colleague briefings and messages shared there. A weekly summary of each week's key messages is communicated to all via email.

Colleagues are asked how they feel about working in Railpen through a short quarterly survey. This allows local management teams to follow up with colleagues and deliver improvement actions.

The Colleague Connection forums continue to provide all colleagues with the opportunity to raise issues, concerns and improvements via colleague representatives. The existing trade union representation is a key part of this. Any feedback is presented to management in regular and structured conversations. Colleague Connection representatives also met non-executive directors in May and November 2023.

In addition, Railpen recognises the importance of creating a workplace where colleagues are given the support to thrive, and offers Mental Health and Wellbeing support, learning and development opportunities and an industry leading parenthood package to support working families. The Council for Inclusion and Diversity actively supports two social mobility programmes which encourage young people from currently underrepresented backgrounds to establish their careers.

In October 2023, Railpen officially unveiled three new values; Integrity, Community and Alignment, which will guide colleagues in 'how' the Company operates. The values were shaped following a series of focus groups and interactive sessions with colleagues, and will be used to guide Railpen's future actions and decision making.

# RAILPEN LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2023

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There is also the opportunity for all colleagues to share in the success of the Company through an annual bonus scheme.

#### ***Fostering business relationships with customers and stakeholders***

Railpen maintains close relationships with its customers and suppliers and view this as an essential element of maintaining effective partnerships, mitigating risk and delivering a quality service. It achieves this both through formal contracts and articles, but also through ongoing dialogue and mutual understanding. Supplier contracts have an assigned owner and all clients an account manager, through which regular feedback is constructively provided.

The Supplier Oversight Function was established in 2023 implementing an organisation wide Supplier Oversight Policy, Process and Framework for colleagues responsible for managing third party suppliers.

Railpen operates a centralised Procurement Authority under which nominated budget holders are responsible for procuring goods and services in line with Railpen's Procurement Policy. Railpen is committed to obtaining the best value for money and maintaining the highest standards of efficiency and integrity in the purchase of goods and services. A well-established supplier on-boarding due diligence process and a new supplier ongoing due diligence process will provide third party supplier assurance.

#### ***Impact of the Company's operations on the community and environment***

Railpen's purpose is to secure its members' future; however, its commitment to creating a sustainable future and a better tomorrow for the communities it touches through its investment projects, fundraising and development programmes extends far beyond members alone. The Company also proactively supports the wider community through a mix of fundraising, nationwide volunteering and provides support for charities local to its offices.

#### ***The maintenance of high standards of conduct***

All colleagues are required to complete an initial and annual certification to confirm they have read and undertaken to comply with Railpen's Code of Conduct and must also complete a series of annual mandatory e-learning modules to demonstrate an understanding of Railpen colleagues' obligations and high standards expected by the regulators and the Trustee Company.

Railpen's culture and behaviours are critical. The ExCom leads the PCC focused on the development of our culture, values and behaviours.

#### ***Summary of methods used by the directors to engage with stakeholders and understanding issues relevant to key decisions***

The directors utilise a full range of communication methods to engage with stakeholders. These include face to face meetings (including virtually), forums and events, written reports and materials as well as through digital content and social media.

On behalf of the Board



Gabrielle Mocatta  
Authorised for  
Railpen Corporate Secretary Limited  
Company Secretary

27 June 2024

# **RAILPEN LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2023**

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The directors present their annual report and audited financial statements for the year ended 31 December 2023.

Railpen was incorporated in 1988 and provides a full range of pension services, including pension scheme administration, fiduciary services and trustee governance support, to pension schemes and their trustees. The Company's principal client, and main source of income, is the Railways Pension Scheme ("RPS"). The Company complements its RPS work with other railway schemes as well as non-rail business.

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

S Blckett	(Resigned 8 January 2024)
A Burns	
M Cash	(Appointed 14 September 2023)
J Chilman	
M Craston (Chair)	
F Hassan	(Appointed 1 January 2024)
G Doherty	(Resigned 1 August 2023)
R Jones	(Resigned 31 December 2023)
R Murray	
M Sullivan	(Resigned 31 December 2023 and appointed 14 March 2024)*
G Towse	

\*Resigned as a non-executive director on 31 December 2023 and appointed as an executive director on 14 March 2024.

#### **Results and dividends**

Railpen made a loss after tax of £1.6m for the financial year (2022 – loss of £1.1m). The movement is largely a result of the current increased level of operating costs, as Railpen continues to progress a number of strategic initiatives. The directors do not recommend the payment of a dividend (2022 - £nil).

#### **Qualifying third party indemnity provisions**

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

#### **Disabled persons**

The Company is committed to employment policies that are based on equal opportunities for all colleagues. The Company will ensure that all applications for employment including those made by disabled persons are given full and fair consideration, having regard for the applicant's aptitudes and abilities. Where a physical feature or a provision, criterion or practice places a disabled colleague at a substantial disadvantage in comparison with colleagues whom are not disabled, the Company will take such steps as are reasonable, to remove the physical feature, provision, criterion, practice or make reasonable adjustments to enable the colleague to overcome the disadvantage.

#### **Colleague involvement**

The Company's policy is to consult and discuss with colleagues, through unions, Colleague Connections forums and at meetings, matters likely to affect colleagues' interests.

Information about matters of concern to colleagues is given through information bulletins and reports which seek to achieve a common awareness on the part of all colleagues of the financial and economic factors affecting the Company's performance.

# **RAILPEN LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2023**

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#### **Independent auditor**

The auditor, KPMG LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### **Energy and Carbon Report**

The 2023 Energy and Carbon Report prepared in accordance with our regulatory greenhouse gas (“GHG”) emissions pursuant to the Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 has been disclosed in the consolidated financial statements of Railtrust Holdings Limited (“RHL”), a parent undertaking, and is therefore excluded from this report.

#### **Administration of the railways pension schemes**

An ongoing review of Railpen’s administration systems and processes is being undertaken. Some issues with a number of railways pension schemes’ member payments have been identified. These issues are still under internal review and cannot be quantified at this time. In addition, there may be regulatory reporting required, which is also currently under consideration.

Any costs or losses (other than corrections of benefit payments already made to members) that arise will be reported in Railpen’s financial statements as incurred. These costs under certain circumstances will be recovered from the schemes’ assets. At the date of approval of these financial statements it is not possible to reliably estimate the potential value of any costs or losses.

Work is underway to formalise the approach to this work and engage with all relevant stakeholders.

#### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company’s auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company’s auditor is aware of that information.

#### **Going Concern**

The directors consider the going concern basis to be appropriate and these financial statements have therefore been prepared on this basis. In considering going concern, the directors have reviewed the adequacy of the Company’s financial resources to support current and future plans.

The reassessment was completed with reference to the Company’s revenue, expenses and capital positions. The Company receives secure income streams from the railways pension schemes to cover the cost of managing their investments. Further, in recent years the Trustee has made funding available to complete critical projects. This confirmed the ability and intention of the immediate parent company’s ability to support the Company as a going concern.

The Scheme for which Railpen acts as administrator has been separately assessed as a going concern, and furthermore, the Trustee has confirmed its intention to use Railpen as the administrator for the foreseeable future. The directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of these financial statements and therefore, have prepared the financial statements on a going concern basis.

# **RAILPEN LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2023***

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By order of the Board



Gabrielle Mocatta  
Authorised for  
Railpen Corporate Secretary Limited  
Company Secretary

27 June 2024

# **RAILPEN LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

### ***FOR THE YEAR ENDED 31 DECEMBER 2023***

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

# **RAILPEN LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RAILPEN LIMITED**

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### **Opinion**

We have audited the financial statements of Railpen Limited (“the Company”) for the year ended 31 December 2023 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company’s affairs as at 31 December 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Going concern**

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

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

Our conclusions based on this work:

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

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

# RAILPEN LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF RAILPEN LIMITED

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### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

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

- Enquiries with management, the Railpen Internal Audit team and inspection of policy documentation as to the Company’s high-level policies and procedures to prevent and detect fraud, including the Internal Audit function, and the Company’s channel for “whistleblowing”, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Trustee, Board, Asset Management Committee, Audit and Governance Committee, Mutual Committee and Railpen Enterprise Risk Committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for management.
- We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the calculation of the revenue is non-judgmental and straightforward, with limited opportunity for manipulation.

We did not identify any additional fraud risks.

We also performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included all post year end closing journals.

#### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through inspection of the Company’s regulatory and legal correspondence and discussed with management the policies and procedures regarding compliance with laws and regulations.

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

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

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

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company’s authority to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, data protection, anti-money laundering, and specific areas of regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Company’s activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

# **RAILPEN LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF RAILPEN LIMITED**

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

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

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

### **Strategic Report and Directors' Report**

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

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

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

### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 12 and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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

# RAILPEN LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF RAILPEN LIMITED

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A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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



**Iryndee Kaur-Delay**  
**Senior Statutory Auditor**  
**For and on behalf of KPMG LLP**

**28 June 2024**  
Date: .....

**Chartered Accountants**  
**Statutory Auditor**  
15 Canada Square  
London  
E14 5GL

# RAILPEN LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2023

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	Notes	2023 £000	2022 £000
<b>Turnover</b>	<b>3</b>	133,478	114,869
Staff costs		(65,966)	(60,032)
Administrative expenses		(57,702)	(55,251)
		<hr/>	<hr/>
<b>Operating profit/(loss)</b>	<b>4</b>	9,810	(414)
Interest receivable and similar income	<b>8</b>	1,049	32
Interest payable and similar expenses	<b>9</b>	-	(705)
Surplus attributable to Mutual fund	<b>16</b>	(12,364)	(245)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>		(1,505)	(1,332)
Income tax (charge)/credit	<b>10</b>	(116)	184
		<hr/>	<hr/>
<b>Loss for the financial year</b>		<u>(1,621)</u>	<u>(1,148)</u>

The notes on pages 21 to 38 form part of these financial statements.

# RAILPEN LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

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	<b>2023</b> <b>£000</b>	<b>2022</b> <b>£000</b>
<b>Loss for the financial year</b>	(1,621) <u>          </u>	(1,148) <u>          </u>
<b>Other comprehensive income</b>		
Actuarial (loss)/gain on defined benefit pension schemes	(5,843)	45,120
Mutual share of net defined benefit liability	4,470	(35,715)
Tax relating to other comprehensive income	116 <u>          </u>	(895) <u>          </u>
<b>Other comprehensive (loss)/income for the year</b>	(1,257) <u>          </u>	8,510 <u>          </u>
<b>Total comprehensive (loss)/income for the year</b>	(2,878) <u>          </u>	7,362 <u>          </u>

The notes on pages 21 to 38 form part of these financial statements.

# RAILPEN LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2023

		2023		2022	
	Notes	£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	11		30,831		33,464
Tangible assets	12		2,350		3,025
Mutual pension asset	14		5,121		650
Investments in subsidiaries			-		-
			<u>38,302</u>		<u>37,139</u>
<b>Current assets</b>					
Debtors: amounts falling due within one year	15	34,693		29,467	
Mutual fund	16	-		6,589	
Cash at bank and in hand		16,726		12,159	
		<u>51,419</u>		<u>48,215</u>	
<b>Creditors: amounts falling due within one year</b>	17	(35,362)		(35,035)	
Mutual fund	16	(5,775)		-	
		<u>(41,137)</u>		<u>(35,035)</u>	
<b>Net current assets</b>			10,282		13,180
<b>Total assets less current liabilities</b>			48,584		50,319
<b>Creditors: amounts falling due after more than one year</b>	18		(22,632)		(26,670)
<b>Provisions for liabilities</b>					
Provisions for liabilities	19	321		-	
Defined benefit pension liability	21	5,566		706	
		<u>(5,245)</u>		<u>(706)</u>	
<b>Net assets</b>			20,065		22,943
<b>Capital and reserves</b>					
Called up share capital	22		-		-
Profit and loss reserves			20,065		22,943
<b>Total equity</b>			<u>20,065</u>		<u>22,943</u>

The notes on pages 21 to 38 form part of these financial statements.

The financial statements were approved by the Board of directors and authorised for issue on 27 June 2024 and are signed on its behalf by:



J Chilman  
Director



M Craston (Chair)  
Director

Company registration number: 02315380

# RAILPEN LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Called up share capital £000	Profit and loss reserves £000	Total £000
<b>Balance at 1 January 2022</b>	-	15,581	15,581
<b>Year ended 31 December 2022:</b>			
Loss for the financial year	-	(1,148)	(1,148)
Other comprehensive income:			
Actuarial gains on defined benefit plans	-	45,120	45,120
Mutual share of net defined benefit liability	-	(35,715)	(35,715)
Tax relating to other comprehensive income	-	(895)	(895)
Total comprehensive income for the year	-	7,362	7,362
<b>Balance at 31 December 2022</b>	-	22,943	22,943
<b>Year ended 31 December 2023:</b>			
Loss for the financial year	-	(1,621)	(1,621)
Other comprehensive income:			
Actuarial loss on defined benefit plans	-	(5,843)	(5,843)
Mutual share of net defined benefit liability	-	4,470	4,470
Tax relating to other comprehensive income	-	116	116
Total comprehensive loss for the year	-	(2,878)	(2,878)
<b>Balance at 31 December 2023</b>	-	20,065	20,065

The notes on pages 21 to 38 form part of these financial statements.

# RAILPEN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2023

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#### 1 Accounting policies

##### Company information

Railpen is a private company limited by shares incorporated in England and Wales. The registered office address is 100 Liverpool Street, London, EC2M 2AT.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £1,000 with the exception of note 22.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This Company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this Company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The Company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures; and
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the Company are consolidated into the financial statements of RHL. These consolidated financial statements are available from its registered office address: 100 Liverpool Street, London, EC2M 2AT.

#### 1.2 Going concern

The directors consider the going concern basis to be appropriate and these financial statements have therefore been prepared on this basis. In considering going concern, the directors have reviewed the adequacy of the Company's financial resources to support current and future plans.

The reassessment was completed with reference to the Company's revenue, expenses and capital positions. The Company receives secure income streams from the railways pension schemes to cover the cost of managing their investments. Further, in recent years the Trustee has made funding available to complete critical projects. This confirmed the ability and intention of the immediate parent company's ability to support the Company as a going concern.

The Scheme for which Railpen acts as administrator has been separately assessed as a going concern, and furthermore, the Trustee has confirmed its intention to use Railpen as the administrator for the foreseeable future. The directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of these financial statements and therefore, have prepared the financial statements on a going concern basis.

#### 1.3 Turnover

Turnover represents amounts received and receivable for services provided in the normal course of business, net of VAT. Revenue for the services provided is recognised when those services are rendered.

# RAILPEN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2023

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#### 1 Accounting policies

(Continued)

##### 1.4 Intangible fixed assets

Capitalised development costs are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the Profit and Loss Account on a straight-line basis over the estimated useful life of the asset.

Capitalised development costs	5 to 10 years
-------------------------------	---------------

##### 1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	25 years
Office equipment	4 to 10 years
Computer equipment	10 years

Freehold land is not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

##### 1.6 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

##### 1.7 Impairment of intangible and tangible fixed assets

At each reporting period end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

##### 1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks and bank overdrafts.

# RAILPEN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2023

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#### 1 Accounting policies

(Continued)

##### 1.9 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's Balance Sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

##### **Basic financial liabilities**

Basic financial liabilities, including trade and other creditors and amounts owed to group undertakings, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

##### 1.10 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

##### 1.11 Taxation

The tax expense represents the sum of the current tax payable and deferred tax.

##### **Current tax**

The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Profit and Loss Account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# RAILPEN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2023

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#### 1 Accounting policies

(Continued)

##### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Profit and Loss Account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

##### **1.12 Provisions**

Provisions are recognised when the Company has a legal or constructive present obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

##### **1.13 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

##### **1.14 Retirement benefits**

The defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Profit and Loss Account in the periods during which services are rendered by employees.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as an expense in measuring profit or loss in the period in which they arise.

# RAILPEN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2023

---

#### 1 Accounting policies

(Continued)

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in profit or loss as interest receivable or payable.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other comprehensive income in the period in which they occur and are not reclassified to profit and loss in subsequent periods.

The net defined benefit pension asset or liability in the Balance Sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

#### 1.15 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease.

#### 1.16 Defined benefit plan deficit and Mutual pension asset

The Mutual allocates a fair proportion of the pension deficit attributable to the Mutual business. This is in line with the provisions of the Mutual Agreement. As at 31 December 2023, the deficit funding is included in the Statement of Other Comprehensive Income.

Under the Mutual Agreement, any pension obligations prior to the establishment of the Mutual are borne by the Mutual. In addition, actuarial movements in the pension deficit from the outset of mutuality are allocated on the basis of fair proportion.

Movements in the split of costs between the Mutual and Non-Mutual are driven by headcount. As at 31 December 2023, the Mutual share of the pension deficit was £5,121k (2022 – £650k). This reimbursement right is shown within fixed assets in accordance with FRS 102.28.

#### 2 Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

# RAILPEN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

### 2 Judgements and key sources of estimation uncertainty (Continued)

#### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### Defined benefit pension scheme

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, pension increases 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. For details of assumptions adopted, see note 21.

### 3 Turnover

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Pension schemes and pooled funds income	133,196	114,614
Other income	282	255
	<u>133,478</u>	<u>114,869</u>

All fees charged to the railways pension schemes, pooled funds and third party pension schemes are included within 'Pension schemes and pooled funds income'.

'Other income' includes income earned from non-pension services such as the provision of communications and pension system hosting services.

All income has arisen in the UK.

### 4 Operating profit/(loss)

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Operating profit/(loss) for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	764	886
Amortisation of intangible assets	4,704	4,704
Release of deferred income relating to intangible assets (note 20)	(3,889)	(3,888)
Operating lease charges	1,145	1,305
	<u>1,145</u>	<u>1,305</u>

### 5 Auditor's remuneration

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the financial statements of the Company	55	52
	<u>55</u>	<u>52</u>

# RAILPEN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

### 6 Employees

The average monthly number of persons (including directors) employed by the Company during the year was:

2023 Number	2022 Number
699	615

Their aggregate remuneration comprised:

	2023 £000	2022 £000
Wages and salaries	57,498	52,345
Social security costs	6,172	5,279
Pension costs	2,296	2,408
	<u>65,966</u>	<u>60,032</u>

### 7 Directors' remuneration

	2023 £000	2022 £000
Remuneration for qualifying services	<u>1,064</u>	<u>1,035</u>

Remuneration relates to 10 directors (2022 - 10 directors). The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 2 (2022 - 1).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2023 £000	2022 £000
Remuneration for qualifying services	500	481
Company pension contributions to defined contribution schemes	1	4
Accrued pension at the end of the year	4	-
Accrued lump sum at the end of the year	2	-
	<u>507</u>	<u>485</u>

### 8 Interest receivable and similar income

	2023 £000	2022 £000
<b>Interest income</b>		
Interest receivable on bank deposits	983	32
Interest receivable on the net defined benefit liability	66	-
	<u>1,049</u>	<u>32</u>

# RAILPEN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

### 9 Interest payable and similar expenses

2023	2022
£000	£000
-	705
<u>          </u>	<u>          </u>

Interest payable on net defined benefit liability

### 10 Taxation

2023	2022
£000	£000

#### Current tax

UK corporation tax on profits for the current period

18	-
<u>          </u>	<u>          </u>

#### Deferred tax

Origination and reversal of timing differences

88	(145)
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Changes in tax rates

10	(39)
<u>          </u>	<u>          </u>

Total deferred tax

98	(184)
<u>          </u>	<u>          </u>

Total tax charge/(credit)

116	(184)
<u>          </u>	<u>          </u>

The tax charge/(credit) for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

2023	2022
£000	£000

Loss on ordinary activities before taxation

(1,505)	(1,332)
<u>          </u>	<u>          </u>

Expected tax credit based on the standard rate of corporation tax in the UK of 23.52% (2022: 19.00%)

(354)	(253)
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Change in unrecognised deferred tax assets

460	108
-----	-----

Effect of change in corporation tax rate

10	(39)
<u>          </u>	<u>          </u>

Taxation charge/(credit) for the year

116	(184)
<u>          </u>	<u>          </u>

In addition to the amount charged/(credited) to the Profit and Loss Account, the following amounts relating to tax have been recognised directly in other comprehensive income:

2023	2022
£000	£000

Deferred tax arising on:

Actuarial differences recognised as other comprehensive income

(116)	895
<u>          </u>	<u>          </u>

# RAILPEN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

### 11 Intangible assets

	Capitalised development costs £000
<b>Cost</b>	
At 1 January 2023	49,512
Additions	2,071
	<u>51,583</u>
At 31 December 2023	51,583
<b>Accumulated amortisation</b>	
At 1 January 2023	16,048
Amortisation charge for the year	4,704
	<u>20,752</u>
At 31 December 2023	20,752
<b>Carrying amount</b>	
At 31 December 2023	<u>30,831</u>
At 31 December 2022	<u>33,464</u>

Additions of £2,071k made during 2023 (2022 - £1,302k) relate to the costs capitalised in relation to the implementation of a new ERP system, Workday. The HR element of the system was made available for use from January 2022, when related amortisation commenced.

As at 31 December 2023, the Company had intangible capital commitments of £2,515k (2022 - £2,860k) in relation to Workday.

### 12 Tangible assets

	Freehold land and buildings £000	Office equipment £000	Computer equipment £000	Total £000
<b>Cost</b>				
At 1 January 2023	1,097	6,303	13,615	21,015
Additions	-	-	89	89
Disposals	-	(3,725)	(5,428)	(9,153)
	<u>1,097</u>	<u>2,578</u>	<u>8,276</u>	<u>11,951</u>
At 31 December 2023	1,097	2,578	8,276	11,951
<b>Accumulated depreciation</b>				
At 1 January 2023	465	5,493	12,032	17,990
Depreciation charge for the year	22	367	375	764
Disposals	-	(3,725)	(5,428)	(9,153)
	<u>487</u>	<u>2,135</u>	<u>6,979</u>	<u>9,601</u>
At 31 December 2023	487	2,135	6,979	9,601
<b>Carrying amount</b>				
At 31 December 2023	<u>610</u>	<u>443</u>	<u>1,297</u>	<u>2,350</u>
At 31 December 2022	<u>632</u>	<u>810</u>	<u>1,583</u>	<u>3,025</u>

# RAILPEN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

### 12 Tangible assets

(Continued)

Freehold land and buildings include freehold land with a cost of £548k (2022 - £548k) that has not been depreciated. The directors do not consider there to be any indicators of impairment (2022 - none).

### 13 Subsidiaries and other significant undertakings

As at 31 December 2023, the Company had four wholly owned subsidiaries registered in the UK: Railway Pensions (PE) Caledonia Limited ("Caledonia"), Railpen Corporate Director Limited, Railpen Corporate Secretary Limited and Electricity Pensions Administration Limited.

Caledonia's principal activity is that of a general partner of Railway Pensions (PE) Scottish Limited Partnership, and it is held by Railpen for the benefit of the pooled funds. The cost and net book value of the investment as at 31 December 2023 is £10 (2022 - £10).

Railpen Corporate Director Limited is appointed as Corporate Director to RHL group entities. The cost and net book value of the investment as at 31 December 2023 is £100 (2022 - £100).

Railpen Corporate Secretary Limited acts as Corporate Secretary. The cost and net book value of the investment as at 31 December 2023 is £1 (2022 - £1).

Electricity Pensions Administration Limited's principal activity is to provide pensions administration services in relation to the Electricity Supply Pension Scheme. The cost and net book value of the investment as at 31 December 2023 is £0 (2022 - £0).

Details of the Company's subsidiaries and other significant undertakings, as at 31 December 2023, are as follows:

Name of undertaking	Address	Class of shares held	% Held	
			Direct	Indirect
Railway Pensions (PE) Caledonia Limited	*	Ordinary	100.00	-
Railpen Corporate Director Limited	**	Ordinary	100.00	-
Railpen Corporate Secretary Limited	**	Ordinary	100.00	-
Electricity Pensions Administration Limited	**	Ordinary	100.00	-
Railway Pensions (PE), SLP	*	Member	-	100.00

Registered office addresses:

\* 13 Queens Road, Aberdeen, AB15 4YL

\*\* 100 Liverpool Street, London, EC2M 2AT

### 14 Mutual pension asset

The Mutual pension asset represents a pension reimbursement right over the Mutual share of the pension deficit. Under the Mutual Agreement, any pension obligations prior to the establishment of the Mutual are borne by the Mutual. In addition, actuarial movements in the pension deficit from the outset of mutuality are allocated on the basis of fair proportion. As required by FRS 102.28 such arrangements are reflected on the Balance Sheet as a reimbursement right.

# RAILPEN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

### 15 Debtors: amounts falling due within one year

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	7,135	5,856
Corporation tax recoverable	-	103
Other debtors	2,001	1,906
Prepayments and accrued income	25,557	21,602
	<u>34,693</u>	<u>29,467</u>

### 16 Mutual fund

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
At 1 January	6,589	6,834
Transfer of surplus attributable to Mutual	(12,364)	(245)
At 31 December	<u>(5,775)</u>	<u>6,589</u>

Surpluses or deficits from Mutual trading do not form part of Railpen's reserves, and are shown as a separate fund on the Balance Sheet. Interest is applied to the Mutual fund at an agreed rate. There was a Mutual deficit for the financial year (2022 - Mutual surplus).

### 17 Creditors: amounts falling due within one year

	<b>Notes</b>	<b>2023</b>	<b>2022</b>
		<b>£000</b>	<b>£000</b>
Trade creditors		1,159	1,454
Amounts owed to group undertakings		217	386
Taxation and social security		6,373	6,903
Deferred income	<b>20</b>	383	368
Other creditors		996	844
Accruals		26,234	25,080
		<u>35,362</u>	<u>35,035</u>

'Amounts owed to group undertakings' are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

### 18 Creditors: amounts falling due after more than one year

	<b>Notes</b>	<b>2023</b>	<b>2022</b>
		<b>£000</b>	<b>£000</b>
Deferred income	<b>20</b>	21,784	25,673
Other creditors		848	997
		<u>22,632</u>	<u>26,670</u>

# RAILPEN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

### 19 Provisions for liabilities

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Dilapidations provisions	321	-
	<u>          </u>	<u>          </u>
Movements on provisions:		<b>Dilapidations</b>
		<b>provisions</b>
		<b>£000</b>
At 1 January 2023		-
Additional provisions in the year		321
		<u>          </u>
At 31 December 2023		321
		<u>          </u>

#### Dilapidations provisions

The dilapidations provisions relate to estimated costs of rectification that the Company is liable for under the terms of the leases of its London and Coventry offices. The provisions include both costs of removing leasehold improvements and costs of rectifying wear and tear. The amounts recognised represent the best estimates of the costs to return these properties to their original condition.

Dilapidations provisions are expected to be utilised over the next 2-5 years.

### 20 Deferred income

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Deferred income	22,167	26,041
	<u>          </u>	<u>          </u>
Deferred income is included in the financial statements as follows:		
Current liabilities	383	368
Non-current liabilities	21,784	25,673
	<u>          </u>	<u>          </u>
	22,167	26,041
	<u>          </u>	<u>          </u>

Deferred income relates mainly to funding provided by the Trustee in order to fund the implementation costs associated with the pensions administration platform. This funding is deferred on Railpen's Balance Sheet and is released to the Profit and Loss Account over the expected useful life of the asset.

# RAILPEN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

### 21 Retirement benefit schemes

	2023	2022
Defined contribution schemes	£000	£000
Charge to profit or loss in respect of defined contribution schemes	185	153

The Company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund.

#### Defined benefit schemes

The Company provides pension arrangements to the majority of employees through the Railpen section of the RPS, a defined benefit scheme. The related costs are assessed in accordance with the advice of a professionally qualified actuary.

The scheme is formally valued every three years. The most recent completed actuarial valuation was conducted as at 31 December 2022, where a surplus was identified. Interim figures are calculated annually for the purposes of these audited financial statements although accounting standards require different actuarial assumptions and methods to those used in the formal valuations. The assumptions underlying the formal valuation include margins for prudence, whereas the assumptions required by the accounting standards are, with the exception of the discount rate which is derived based on AA corporate bond yields, generally best estimates.

Amounts relating to retirement benefits are chosen from estimated values based on assumptions that are mutually consistent but which may not be borne out in practice over the long-term.

The defined benefit asset or liability is based on a valuation of the scheme assets that are not intended to be realised in the short-term and which may change significantly over time. An actuarial valuation of the scheme liabilities is based on cash flow projections over very long periods, and the valuation estimate is therefore inherently uncertain.

The standard requires the discount rate to be determined by reference to market yields of high quality corporate bonds of suitable currency and term to the scheme cash flows. The standard does not specify the approach that should be taken to extrapolate current market rates along the yield curve when there are no suitable corporate bonds of sufficient duration. As the term of the scheme's liabilities is particularly long, the Balance Sheet is sensitive to the extrapolation approach adopted. The model adopted by the Company extrapolates based on the trend observable in corporate bond yields.

<i>Key assumptions</i>	2023	2022
	%	%
Discount rate	4.80	5.00
Expected rate of increase of pensions in payment	2.70	2.80
Expected rate of salary increases	2.70	2.80
Inflation assumption	3.05	3.25

# RAILPEN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

### 21 Retirement benefit schemes

(Continued)

<i>Mortality assumptions</i>	2023	2022
	Years	Years
Assumed life expectations on retirement at age 65:		
Retiring today		
- Males	21.9	22.2
- Females	23.1	23.1
	<u>          </u>	<u>          </u>
Retiring in 20 years		
- Males	23.5	23.8
- Females	25.0	25.0
	<u>          </u>	<u>          </u>

#### RPI-CPI wedge

On 4 September 2019, the UK Government announced that it would consult on the UK Statistics Authority's proposals to align RPI with CPIH by 2030. On 25 November 2020, HM Treasury and the UK Statistics Authority released their joint response in relation to the consultation on the reform of the RPI methodology. This confirmed that the RPI index will be aligned with the CPIH index from February 2030, which is similar in construction and calculation to the CPI index. To reflect this, in 2020, the Company proposed lowering the gap between RPI and CPI to 0.45% p.a. compared to the 2019 methodology of 0.70% p.a., based on a suitable weighted average of the expected gap pre and post 2030. In 2023 the Company has updated this average margin to be 0.35%, which is the Company's best estimate of the average future difference between the two indices over the term of the CPI linked liabilities and continues to reflect a margin of 1.0% prior to 2030 and 0.1% from 2030 onwards.

#### Discount rate

In recent years, the discount rate model was updated to include a wider universe of corporate bonds to derive the yield curve. A key difference was the inclusion of certain special purpose vehicle (SPV) corporate bonds that remain consistent with the requirements of FRS 102. The revised model is a standard approach developed by our external actuary and has been consistently applied for the year ended 31 December 2023.

#### Sensitivity analysis

The following sensitivity analyses are based on a change in assumption while maintaining all other assumptions constant. The combined effect of two or more changes in assumptions could differ from those shown.

- It is estimated that a reduction in the discount rate of 0.1% would increase the scheme liabilities by 2.0%.
- It is estimated that an increase in the price inflation rate (RPI) of 0.1% would increase the scheme liabilities by 2.0%.
- It is estimated that an increase in the price inflation rate (CPI) of 0.1% would increase the scheme liabilities by 2.0%.
- It is estimated that an increase in pensionable salaries of 0.1% would increase the scheme liabilities by 0.5%.
- It is estimated that an increase in pensions of 0.1% would increase the scheme liabilities by 1.5%.

The directors also acknowledge their responsibilities for ensuring that actuarial assumptions are suitably updated to reflect changing economic conditions and confirm that the 31 December 2023 assumptions have been reviewed.

# RAILPEN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

### 21 Retirement benefit schemes

(Continued)

The amounts included in the Balance Sheet arising from the Company's obligations in respect of defined benefit plans are as follows:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Present value of defined benefit obligations	120,947	107,034
Fair value of plan assets	(111,670)	(105,857)
Deficit in scheme	9,277	1,177
Restriction on scheme assets	(3,711)	(471)
Total liability recognised	<u>5,566</u>	<u>706</u>

For members of the defined benefit ("DB") scheme who are a protected person under The Railway Pensions (Protection and Designation of Schemes) Order 1994, and have a normal retirement age of 60, employer contributions are 18.8% of section pay until 30 June 2024. From 1 July 2024, the employer contribution rate in respect of these members will revert to 60% of the long-term joint contribution rate. The current long-term joint contribution rate in respect of these members had been assessed as 17.3% of section pay.

For members who joined the DB scheme before 1 July 2012, and are not a protected person under The Railway Pensions (Protection and Designation of Schemes) Order 1994, and chose to maintain a normal retirement age of 60, employer contributions are 16.1% of section pay until 30 June 2024. From 1 July 2024, the employer contribution rate in respect of these members will revert to 60% of the long-term joint contribution rate. The current long-term joint contribution rate in respect of these members had been assessed as 15.9% of section pay.

For all other DB members, the normal retirement age is 65. Employer contributions in respect of these members are 17.3% of section pay until 30 June 2024. From 1 July 2024, the employer contribution rate in respect of these members will revert to 60% of the long-term joint contribution rate. The current long-term joint contribution rate in respect of these members had been assessed as 13.1% of section pay.

As of 2014, employees may alternatively elect to join the IWDC Section of the RPS. This is a defined contribution ("DC") arrangement, with employer contributions being one-and-a-half times the chosen member contribution rate. Members may contribute a minimum of 4% up to a maximum of 7% of basic pay.

The total contributions to both DB and DC schemes expected to be paid by the employer during 2024 amount to £5,044k.

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<i>Amounts recognised in the Profit and Loss Account</i>		
Current service cost	3,523	7,507
Administration costs	310	309
Net interest on net defined benefit liability	(66)	705
Total costs	<u>3,767</u>	<u>8,521</u>

# RAILPEN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

21 Retirement benefit schemes	(Continued)	
	2023	2022
	£000	£000
<i>Amounts taken to other comprehensive income</i>		
Loss/(gain) on plan liabilities	4,154	(50,602)
Return on plan assets	1,689	5,482
	<u>5,843</u>	<u>(45,120)</u>
		<b>2023</b>
<i>Movements in the present value of defined benefit obligations</i>		
		<b>£000</b>
At 1 January 2023		107,034
Current service cost		5,857
Benefits paid		(3,695)
Actuarial gain		6,492
Interest cost		5,259
		<u>120,947</u>
At 31 December 2023		<u>120,947</u>
		<b>2023</b>
<i>The defined benefit obligations arise from plans funded as follows:</i>		
		<b>£000</b>
Wholly unfunded obligations		-
Wholly or partly funded obligations		120,947
		<u>120,947</u>
		<u>120,947</u>
		<b>2023</b>
<i>Movements in the fair value of plan assets</i>		
		<b>£000</b>
At 1 January 2023		105,857
Interest income		5,380
Return on plan assets (excluding amounts included in net interest)		(3,072)
Benefits paid		(3,695)
Contributions by the employer		4,750
Contributions by scheme members		2,966
Administration costs		(516)
		<u>111,670</u>
At 31 December 2023		<u>111,670</u>

# RAILPEN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

21 Retirement benefit schemes	(Continued)	
	2023 £000	2022 £000
<i>Fair value of plan assets at the reporting period end</i>		
Growth fund	91,995	88,420
Bonds	17,959	16,355
Other assets	1,716	1,082
	<u>111,670</u>	<u>105,857</u>

The discounted mean term of the defined benefit obligation was 18 years based on the results of the valuation as at 31 December 2022 and assumptions as at 31 December 2023.

### Risks to which the pension scheme exposes the Company

The Company is exposed to a number of risks through its defined benefit scheme. The most significant risks are detailed below:

#### *Asset volatility:*

There is a risk that a fall in asset values is not matched by a corresponding reduction in the value placed on the defined benefit obligation. The scheme holds a proportion of growth assets, which are expected to outperform corporate and government bond yields in the long-term but gives exposure to volatility and risk in the short-term.

#### *Change in bond yields:*

A decrease in corporate bond yields will increase the value placed on the defined benefit obligation, although this will be partially offset by an increase in the value of the scheme's corporate bond holdings.

#### *Inflation risk:*

The majority of the scheme's defined benefit obligation is linked to inflation, where higher inflation will lead to a higher value being placed on the defined benefit obligation. Some of the scheme's assets are either unaffected by inflation or loosely correlated with inflation (e.g. growth assets), meaning that an increase in inflation will generally increase the deficit.

#### *Life expectancy:*

An increase in life expectancy will lead to an increased value being placed on the scheme's defined benefit obligation. Future mortality rates cannot be predicted with certainty.

22 Called up share capital	2023 Number	2022 Number	2023 £	2022 £
<b>Ordinary share capital</b>				
<b>Authorised</b>				
Ordinary shares of £1 each	102	102	102	102
	<u>102</u>	<u>102</u>	<u>102</u>	<u>102</u>
<b>Issued and fully paid</b>				
Ordinary shares of £1 each	102	102	102	102
	<u>102</u>	<u>102</u>	<u>102</u>	<u>102</u>

# RAILPEN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

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### 23 Contingent liabilities

An ongoing review of Railpen's administration systems and processes is being undertaken. Some issues with a number of railways pension schemes' member payments have been identified. These issues are still under internal review and cannot be quantified at this time. In addition, there may be regulatory reporting required, which is also currently under consideration.

Any costs or losses (other than corrections of benefit payments already made to members) that arise will be reported in Railpen's financial statements as incurred. These costs under certain circumstances will be recovered from the schemes' assets. At the date of approval of these financial statements it is not possible to reliably estimate the potential value of any costs or losses.

### 24 Operating lease commitments

#### Lessee

At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Within one year	1,387	1,069
Between two and five years	4,886	4,064
In over five years	1,596	2,602
	<u>7,869</u>	<u>7,735</u>

The operating lease commitments relate to office rental, computer equipment and water coolers.

### 25 Related party transactions

The transactions during the year relating to contributions to the RPS are disclosed in note 21 above. The Company has applied the exemption given in Section 33 of FRS 102 not to disclose transactions with other wholly owned subsidiaries in the group headed by RHL. During the year, the Company, in the ordinary course of business, received income of £123,644k (2022 - £106,348k) in respect of the Trustee Company controlled pension schemes and pooled funds. Of this income, £19,846k (2022 - £14,894k), is included within debtors at the year end. There were no other related party transactions.

### 26 Ultimate controlling party

The Company's immediate parent undertaking is RPTCL, a company registered in England and Wales. RPTCL is ultimately owned and controlled by RHL, a company also registered in England and Wales. RHL prepares the only set of group financial statements into which the results of Railpen are consolidated. Copies of the group audited financial statements are available from the Company Secretary, 100 Liverpool Street, London EC2M 2AT.

### 27 Post balance sheet events

There have been no significant events after the Balance Sheet date.