Eversholt Funding plc

Unaudited, condensed interim financial statements
for the 6 months ended 30 June 2019

Registered No: 07329930
Condensed interim financial statements
for the 6 months ended 30 June 2019

Contents
Condensed income statement 2
Condensed statement of comprehensive income 2
Condensed statement of financial position 3
Condensed statement of cash flows 4
Condensed statement of changes in equity 5
Notes to the condensed interim financial statements 6
## Condensed income statement
for the 6 months ended 30 June 2019

<table>
<thead>
<tr>
<th></th>
<th>Note</th>
<th>30 June 2019</th>
<th>30 June 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Finance income</td>
<td>4</td>
<td>56,993</td>
<td>56,740</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td></td>
<td>56,993</td>
<td>56,740</td>
</tr>
<tr>
<td>Finance expense</td>
<td>5</td>
<td>(58,030)</td>
<td>(57,729)</td>
</tr>
<tr>
<td>Net fair value (loss)/gain on derivative financial instruments</td>
<td>11</td>
<td>(1,104)</td>
<td>9,922</td>
</tr>
<tr>
<td><strong>Gross (loss)/profit</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative expense</td>
<td>6</td>
<td>(263)</td>
<td>(53)</td>
</tr>
<tr>
<td>(Loss)/profit before tax</td>
<td></td>
<td>(2,404)</td>
<td>8,880</td>
</tr>
<tr>
<td>Income tax credit/(charge)</td>
<td>7</td>
<td>435</td>
<td>(1,892)</td>
</tr>
<tr>
<td><strong>(Loss)/profit for the period</strong></td>
<td></td>
<td>(1,969)</td>
<td>6,988</td>
</tr>
</tbody>
</table>

There were no discontinued or discontinuing operations during the period.

The notes on pages 6 to 15 form an integral part of these financial statements.

## Condensed statement of comprehensive income
for the 6 months ended 30 June 2019

<table>
<thead>
<tr>
<th></th>
<th>Note</th>
<th>30 June 2019</th>
<th>30 June 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(Loss)/profit for the period</strong></td>
<td></td>
<td>(1,969)</td>
<td>6,988</td>
</tr>
</tbody>
</table>

**Other comprehensive (expense)/income**

Effective portion of changes in fair value of cash flow hedges | 11 | (22,455) | 10,875 |

Realised gain on cash flow hedges to property, plant and equipment | 11 | 399 | 443 |

Realised gain on cash flow hedges to the income statement | 11 | 238 | - |

Tax credit/(charge) on effective portion of changes in fair value of cash flow hedges | 8 | 3,710 | (1,924) |

(18,108) | 9,394 |

**Total comprehensive (expense)/income for the period** | | (20,077) | 16,382 |

Effective portion of changes in fair value cash flow hedges may be reclassified to the Income statement in future years.
Condensed statement of financial position
as at 30 June 2019

<table>
<thead>
<tr>
<th></th>
<th>30 June 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax</td>
<td>8</td>
<td>27,584</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>11</td>
<td>17,837</td>
</tr>
<tr>
<td>Amounts owed by group undertakings</td>
<td>9</td>
<td>1,940,000</td>
</tr>
<tr>
<td></td>
<td>1,985,421</td>
<td>1,965,466</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amounts owed by group undertakings</td>
<td>9</td>
<td>96,274</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>12</td>
<td>500</td>
</tr>
<tr>
<td>Current tax</td>
<td>247</td>
<td>535</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>14</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>97,035</td>
<td>22,446</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>2,082,456</td>
<td>1,987,912</td>
</tr>
<tr>
<td><strong>Liabilities and equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>13</td>
<td>127</td>
</tr>
<tr>
<td>Borrowings</td>
<td>14</td>
<td>95,628</td>
</tr>
<tr>
<td></td>
<td>95,755</td>
<td>20,620</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>14</td>
<td>1,935,300</td>
</tr>
<tr>
<td>Amounts owed to group undertakings</td>
<td>9</td>
<td>31,996</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>11</td>
<td>167,852</td>
</tr>
<tr>
<td></td>
<td>2,135,148</td>
<td>2,095,615</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>2,230,903</td>
<td>2,116,282</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>16</td>
<td>50</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(109,028)</td>
<td>(107,059)</td>
</tr>
<tr>
<td>Hedging reserve</td>
<td>(39,469)</td>
<td>(21,361)</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>(148,447)</td>
<td>(128,370)</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,082,456</td>
<td>1,987,912</td>
</tr>
</tbody>
</table>

The notes on pages 6 to 15 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 2 September 2019. They were signed on its behalf by:

A J Wesson
Director

Company registration number: 07329930
### Condensed statement of cash flows
for the 6 months ended 30 June 2019

<table>
<thead>
<tr>
<th>Cash flow from operating activities</th>
<th>Note</th>
<th>6 months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Loss)/profit before tax</td>
<td></td>
<td>30 June 2019</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td>£’000</td>
</tr>
<tr>
<td>- Finance expense</td>
<td>5</td>
<td>58,030</td>
</tr>
<tr>
<td>- Finance income</td>
<td>4</td>
<td>(56,993)</td>
</tr>
<tr>
<td>- Amortisation of capitalised finance charges</td>
<td>14</td>
<td>321</td>
</tr>
<tr>
<td>- Fair value adjustment on derivative financial instruments</td>
<td>11</td>
<td>1,104</td>
</tr>
<tr>
<td><strong>Operating cash flow before changes in working capital</strong></td>
<td></td>
<td>58</td>
</tr>
<tr>
<td>Increase/(decrease) in trade and other payables</td>
<td>13</td>
<td>80</td>
</tr>
<tr>
<td>(Increase)/decrease in trade and other receivables</td>
<td></td>
<td>(14)</td>
</tr>
<tr>
<td><strong>Cash utilised in operating activities</strong></td>
<td></td>
<td>124</td>
</tr>
<tr>
<td>Receipt/(payment) in respect of group relief</td>
<td></td>
<td>536</td>
</tr>
<tr>
<td><strong>Net cash generated by/(utilised in) operating activities</strong></td>
<td></td>
<td>660</td>
</tr>
</tbody>
</table>

| Cash flow from financing activities | |  |
| Movement in intercompany loan with Eversholt Rail Limited | 15 | (1,529) | 1,493 |
| Settlements on derivative financial instruments | 11 | 637 | 443 |
| External borrowings raised | 15 | 75,000 | - |
| Amounts borrowed by group entities | 15 | (75,000) | - |
| Interest received on loan to Eversholt Rail Limited | 15 | 56,985 | 57,117 |
| Interest paid on bonds | 15 | (49,364) | (49,138) |
| Interest paid on swaps | 15 | (7,534) | (7,980) |
| **Net cash (utilised in)/generated by financing activities** | | (805) | 1,935 |

| Net decrease in cash and cash equivalents | |  |
| Cash and cash equivalents at beginning of the period | | 645 | 501 |
| Cash and cash equivalents at the end of the period | 12 | 500 | 500 |
### Condensed statement of changes in equity
for the 6 months ended 30 June 2019

<table>
<thead>
<tr>
<th>Note</th>
<th>Share capital £'000</th>
<th>Hedging reserve £'000</th>
<th>Accumulated deficit £'000</th>
<th>Total equity £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance at 1 January 2018</strong></td>
<td>16</td>
<td>50</td>
<td>(25,246)</td>
<td>(118,488)</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>-</td>
<td>-</td>
<td>6,988</td>
<td>6,988</td>
</tr>
<tr>
<td>Effective portion of changes in fair value of cash flow hedges</td>
<td>-</td>
<td>10,875</td>
<td>-</td>
<td>10,875</td>
</tr>
<tr>
<td>Realised gain on cash flow hedges to property, plant and equipment</td>
<td>-</td>
<td>443</td>
<td>-</td>
<td>443</td>
</tr>
<tr>
<td>Tax charge on changes in effective portion of changes in fair value of cash flow</td>
<td>-</td>
<td>(1,924)</td>
<td>-</td>
<td>(1,924)</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>-</td>
<td>9,394</td>
<td>6,988</td>
<td>16,382</td>
</tr>
<tr>
<td><strong>Balance at 30 June 2018</strong></td>
<td>16</td>
<td>50</td>
<td>(15,852)</td>
<td>(111,500)</td>
</tr>
</tbody>
</table>

|      |                     |                       |                           |                   |
| **Balance at 1 January 2019** | 16 | 50 | (21,361) | (107,059) | (128,370) |
| Loss for the period | - | - | (1,969) | (1,969) |
| Effective portion of changes in fair value of cash flow hedges | 11 | - | (22,455) | - | (22,455) |
| Realised gain on cash flow hedges to property, plant and equipment | 11 | - | 399 | - | 399 |
| Realised gain on cash flow hedges to the income statement | 11 | - | 238 | - | 238 |
| Tax credit on changes in effective portion of changes in fair value of cash flow | 8 | - | 3,710 | - | 3,710 |
| **Total comprehensive expense** | - | (18,108) | (1,969) | (20,077) |
| **Balance at 30 June 2019** | 16 | 50 | (39,469) | (109,028) | (148,487) |
Eversholt Funding plc

Notes to the condensed interim financial statements
for the 6 months ended 30 June 2019

1 General information

Eversholt Funding plc (the "Company") is a private company incorporated in England and Wales and is limited by shares (see note 16). The registered office of the Company is 210 Pentonville Road, London, N1 9JY, United Kingdom.

2 Basis of preparation

These financial statements are presented in £'000. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.1 Compliance with International Financial Reporting Standards

The financial statements of Eversholt Funding plc have been prepared on the historical cost basis except for the revaluation of derivative financial instruments.

The condensed interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adapted by the European Union. Selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in financial position and performance of the Company since the last annual financial statements as at and for year ended 31 December 2018. The condensed interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the financial statements for the year ended 31 December 2018.

2.2 Going concern

The accumulated losses being greater than the called-up share capital gives rise to there being an excess of liabilities over assets. The financial statements have been assessed in conjunction with the Eversholt UK Rails Group ("Group") more fully described in note 20, as its viability is dependent upon the ability of group companies to provide funds for the Company when required. As a result and having made appropriate enquiries, reviewed forecasts and having the commitment of support from the Group, the Directors consider it reasonable to assume that the Company has adequate resources to continue for the foreseeable future and on this basis the accounts have been prepared on a going concern basis.

3 Summary of significant accounting policies

The accounting policies applied by the Company in this condensed interim financial report are the same as those applied by the Company in its financial statements for the year ended 31 December 2018.

4 Revenue

4.1 Finance income

<table>
<thead>
<tr>
<th></th>
<th>6 months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 June 2019</td>
</tr>
<tr>
<td></td>
<td>£'000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Interest received from Eversholt Rail Limited</th>
<th>56,993</th>
<th>56,740</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>56,993</td>
<td>56,740</td>
</tr>
</tbody>
</table>

Finance income represents interest received on loan receivables carried at amortised cost.
Eversholt Funding plc

Notes to the condensed interim financial statements (continued)
for the 6 months ended 30 June 2019

5 Finance expense

<table>
<thead>
<tr>
<th></th>
<th>6 months ended</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 June 2019</td>
<td>30 June 2018</td>
<td></td>
</tr>
<tr>
<td>Interest payable on bank loans</td>
<td>(40)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Interest payable on derivative financial instruments</td>
<td>(7,746)</td>
<td>(7,835)</td>
<td></td>
</tr>
<tr>
<td>Interest payable on bonds</td>
<td>(49,120)</td>
<td>(48,906)</td>
<td></td>
</tr>
<tr>
<td>Interest payable to Eversholt Rail Limited</td>
<td>(1,124)</td>
<td>(988)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(58,030)</td>
<td>(57,729)</td>
<td></td>
</tr>
</tbody>
</table>

Finance expenses represent interest charged in relation to financial liabilities carried at amortised cost except for interest payable on derivatives which will be carried at fair value through profit and loss (except where there is a hedge accounting relationship).

6 Administrative expense

Administrative expenses include the following:

|                                | 6 months ended |          |          |
|                                | 30 June 2019   | 30 June 2018 |
| Fees payable to the Company’s auditor for the audit of the Company’s annual financial statements | (32)          | (26)     |

The Company has no employees and hence no staff costs (6 months ended 30 June 2018: nil).

7 Income tax (credit)/charge

|                                | Note | 6 months ended |          |          |
|                                |      | 30 June 2019   | 30 June 2018 |
| Current tax                    |      | £’000          | £’000     |
| UK Corporation tax on current period |    | (248)         | (198)    |
| UK Corporation tax on prior period |      | -             | 403      |
| Deferred tax                   |      |               |          |
| Origination and reversal of temporary differences | 8  | (209)         | 1,885    |
| Change in tax rates            | 8  | 22            | (198)    |
| Income tax (credit)/charge     |      | (435)         | 1,892    |

The corporation tax rate reduction to 19% from 1 April 2017 was substantively enacted on 18 November 2015. A further reduction to 17% from 1 April 2020 was substantively enacted on 15 September 2016. As a result of these reductions the Company’s future current tax charge will reduce accordingly.

The following table reconciles the tax (credit)/charge which would apply if all profits and losses had been taxed at the UK corporation tax rate:

|                                | 6 months ended |          |          |
|                                | 30 June 2019   | 30 June 2018 |
| (Loss)/profit before tax       | (2,404)        | 8,880    |
| Taxation at corporation tax rate of 19% (2018: 19%) | (457)         | 1,667    |
| Change in tax rates            | 22             | (198)    |
| Prior period adjustment        | -              | 403      |
| Income tax (credit)/charge     | (435)          | 1,892    |

7
Eversholt Funding plc

Notes to the condensed interim financial statements (continued)
for the 6 months ended 30 June 2019

8 Deferred tax asset

Deferred tax arises on timing differences created by unrealised changes in the fair value of derivative financial instruments.

<table>
<thead>
<tr>
<th></th>
<th>30 June 2019 £'000</th>
<th>31 December 2018 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at 1 January</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit/(charge) to income statement</td>
<td>23,687</td>
<td>27,021</td>
</tr>
<tr>
<td>Credit/(charge) to other comprehensive income</td>
<td>209</td>
<td>(2,837)</td>
</tr>
<tr>
<td>Effect of change in tax rate:</td>
<td>3,710</td>
<td>(796)</td>
</tr>
<tr>
<td>- Income statement</td>
<td>(22)</td>
<td>299</td>
</tr>
<tr>
<td><strong>Balance at 30 June/31 December</strong></td>
<td>27,584</td>
<td>23,687</td>
</tr>
</tbody>
</table>

The deferred tax asset as at 30 June 2019 has been calculated based on the rate of 17% substantively enacted at the reporting date. The effect of the change in the rate to 17% is included in the financial statements.

9 Amounts owed by/(to) group undertakings

<table>
<thead>
<tr>
<th></th>
<th>30 June 2019 £'000</th>
<th>31 December 2018 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eversholt Rail Limited interest accrued</td>
<td>21,274</td>
<td>21,266</td>
</tr>
<tr>
<td>Eversholt Rail Limited</td>
<td>75,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Current assets</strong></td>
<td>96,274</td>
<td>21,266</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eversholt Rail Limited</td>
<td>1,940,000</td>
<td>1,940,000</td>
</tr>
<tr>
<td><strong>Total Non-current assets</strong></td>
<td>1,906,274</td>
<td>1,961,266</td>
</tr>
</tbody>
</table>

The terms of these loans mirror the terms of the Company's external debt described in note 14.

**Non-current liabilities**

Eversholt Rail Limited – intercompany loan | (31,996) | (32,401) |

The intercompany loan with Eversholt Rail Limited is classified as non-current as it is repayable on or before 4 November 2023. Borrowing entities may prepay and redraw loans until the repayment date. Interest on the loan is payable monthly at a floating rate, which substantially matches the rate of the Group’s senior debt, plus margin (31 December 2018: Group’s senior debt, plus margin).

10 Dividends

For the period ended 30 June 2019 no dividend has been paid or declared (6 months ended 30 June 2018: £nil).
11 Derivative financial instruments

30 June 2019

<table>
<thead>
<tr>
<th></th>
<th>Notional Amount</th>
<th>Fair Value Amount</th>
<th>Change in fair value used for calculating hedge ineffectiveness £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swap contracts</td>
<td>291,271</td>
<td>17,837</td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swap contracts</td>
<td>555,271</td>
<td>(124,728)</td>
<td></td>
</tr>
<tr>
<td>Interest rate swap contracts – hedge accounted</td>
<td>300,000</td>
<td>(43,124)</td>
<td>(22,812)</td>
</tr>
<tr>
<td></td>
<td>855,271</td>
<td>(167,852)</td>
<td>(22,812)</td>
</tr>
<tr>
<td>Total derivative financial instruments</td>
<td>1,146,542</td>
<td>(150,015)</td>
<td>(22,812)</td>
</tr>
</tbody>
</table>

31 December 2018

<table>
<thead>
<tr>
<th></th>
<th>Notional Amount</th>
<th>Fair Value Amount</th>
<th>Change in fair value used for calculating hedge ineffectiveness £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swap contracts</td>
<td>291,271</td>
<td>1,779</td>
<td></td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swap contracts</td>
<td>479,624</td>
<td>(107,923)</td>
<td></td>
</tr>
<tr>
<td>Interest rate swap contracts – hedge accounted</td>
<td>300,000</td>
<td>(20,312)</td>
<td>3,602</td>
</tr>
<tr>
<td></td>
<td>779,624</td>
<td>(128,235)</td>
<td>3,602</td>
</tr>
<tr>
<td>Total derivative financial instruments</td>
<td>1,070,895</td>
<td>(126,456)</td>
<td>3,602</td>
</tr>
</tbody>
</table>

The fair value of derivative financial instruments is based on market rates on 30 June 2019.

No new Interest rate swaps were entered into in the period ended 30 June 2019. The increase in notional principal in the period ended 30 June 2019 reflects contracted notional profiles associated with swaps entered into for the pre-funding of new build rolling stock capital expenditure.

As at 30 June 2019, the Company’s hedge accounted swaps were deemed to be highly effective and the fair value liability associated to these interest rate swaps was £43,124,406 (31 December 2018: £20,312,399).

In relation to interest rate swaps that are part of hedge accounting relationships there was a loss of £357,345 due to hedge ineffectiveness (6 months ended 30 June 2018: £123,773 gain). This can be attributed to differences between actual and expected funding profiles.

All of the interest rate swaps have contractual maturities of more than 5 years.

The change in the fair value of the hedged item used as a basis of recognising hedge ineffectiveness is a gain of £22,454,761 (6 months ended 30 June 2018: £10,874,869 loss).

Amounts affecting the statement of comprehensive income and financial position, are as follows:
11 Derivative financial instruments (continued)

Movement of fair value in Derivative financial Instruments

<table>
<thead>
<tr>
<th></th>
<th>Not hedge accounted £'000</th>
<th>Current hedge accounted £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as at 1 January 2019</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealised loss through the income statement</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Hedge ineffectiveness</td>
<td>- (357)</td>
<td>(357)</td>
<td></td>
</tr>
<tr>
<td>- Other</td>
<td>(747)</td>
<td>(747)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(106,144)</td>
<td>(20,312)</td>
<td>(126,456)</td>
</tr>
<tr>
<td><strong>Balance as at 30 June 2019</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealised loss through other comprehensive income</td>
<td>- (22,456)</td>
<td>(22,456)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(106,891)</td>
<td>(43,124)</td>
<td>(150,015)</td>
</tr>
<tr>
<td><strong>Balance as at 1 January 2018</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealised gain/(loss) through the income statement</td>
<td>(121,263)</td>
<td>(23,914)</td>
<td>(145,177)</td>
</tr>
<tr>
<td>- Hedge ineffectiveness</td>
<td>- (186)</td>
<td>(186)</td>
<td></td>
</tr>
<tr>
<td>- Other</td>
<td>15,119</td>
<td>15,119</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15,119</td>
<td>(186)</td>
<td>14,933</td>
</tr>
<tr>
<td><strong>Unrealised gain through other comprehensive income</strong></td>
<td>- 3,788</td>
<td>3,788</td>
<td></td>
</tr>
<tr>
<td><strong>Balance as at 31 December 2018</strong></td>
<td>(106,144)</td>
<td>(20,312)</td>
<td>(126,456)</td>
</tr>
</tbody>
</table>

**Movement in Hedging reserve**

<table>
<thead>
<tr>
<th></th>
<th>Current hedge accounted £'000</th>
<th>Terminated hedge accounted £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance as at 1 January 2019</strong></td>
<td>16,418</td>
<td>4,943</td>
<td>21,361</td>
</tr>
<tr>
<td>Unrealised loss through other comprehensive income</td>
<td>22,455</td>
<td>-</td>
<td>22,455</td>
</tr>
<tr>
<td>Release to property, plant &amp; equipment</td>
<td>- (399)</td>
<td>(399)</td>
<td></td>
</tr>
<tr>
<td>Release to the income statement</td>
<td>- (236)</td>
<td>(236)</td>
<td></td>
</tr>
<tr>
<td>Income tax on other comprehensive income</td>
<td>(3,818)</td>
<td>108</td>
<td>(3,710)</td>
</tr>
<tr>
<td><strong>Balance as at 30 June 2019</strong></td>
<td>35,055</td>
<td>4,414</td>
<td>39,469</td>
</tr>
<tr>
<td><strong>Balance as at 1 January 2018</strong></td>
<td>19,562</td>
<td>5,684</td>
<td>25,246</td>
</tr>
<tr>
<td>Unrealised gain through other comprehensive income</td>
<td>(3,788)</td>
<td>-</td>
<td>(3,788)</td>
</tr>
<tr>
<td>Release to property, plant &amp; equipment</td>
<td>- (893)</td>
<td>(893)</td>
<td></td>
</tr>
<tr>
<td>Income tax on other comprehensive income</td>
<td>644</td>
<td>152</td>
<td>796</td>
</tr>
<tr>
<td><strong>Balance as at 31 December 2018</strong></td>
<td>16,418</td>
<td>4,943</td>
<td>21,361</td>
</tr>
</tbody>
</table>

Cumulative unrealised losses of £4,414,167 (31 December 2018: £4,942,937) relating to Interest rate swaps terminated in prior years remain in the hedging reserve and may be recognised in the Income statement in future years.

At 30 June 2019 the Company held interest rate swaps with a fair value of £106,890,703 liability (31 December 2018: £106,143,690 liability) which were not designated in hedging relationships for accounting purposes.

Certain bond agreements include contractual obligations to settle cross-currency derivative financial instruments, that the lender has entered into pursuant to the bonds, in the event that the Group either defaults on or repays the bonds before maturity. The embedded derivatives resulting from such arrangements have been valued at £nil (31 December 2018: £nil) on the basis that the Group is not in default and is not forecast to be in default or repay bonds early.
Eversholt Funding plc

Notes to the condensed interim financial statements (continued)
for the 6 months ended 30 June 2019

12 Cash and cash equivalents
Cash and cash equivalents are analysed as:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Bank balances</td>
<td>500</td>
<td>645</td>
</tr>
</tbody>
</table>

£500,000 (31 December 2018: £500,000) of cash and cash equivalents is restricted cash in accordance with the terms of the agreement with the security trustee for the Company’s secured creditors.

13 Trade and other payables

<table>
<thead>
<tr>
<th></th>
<th>30 June 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Fees and other payables accrued</td>
<td>127</td>
<td>47</td>
</tr>
</tbody>
</table>

14 Borrowings

<table>
<thead>
<tr>
<th></th>
<th>30 June 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest accrued</td>
<td>21,274</td>
<td>21,266</td>
</tr>
<tr>
<td>Bank Loan</td>
<td>75,000</td>
<td>-</td>
</tr>
<tr>
<td>Transaction costs</td>
<td>(646)</td>
<td>(640)</td>
</tr>
<tr>
<td></td>
<td>95,628</td>
<td>20,620</td>
</tr>
<tr>
<td>Non-current</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds</td>
<td>1,940,000</td>
<td>1,940,000</td>
</tr>
<tr>
<td>(4,700)</td>
<td>(5,021)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,935,300</td>
<td>1,934,979</td>
</tr>
<tr>
<td></td>
<td>2,030,928</td>
<td>1,955,599</td>
</tr>
</tbody>
</table>

Bond principal amount

<table>
<thead>
<tr>
<th></th>
<th>Due date</th>
<th>Interest rate Semi-annual coupon</th>
</tr>
</thead>
<tbody>
<tr>
<td>£300m</td>
<td>2020</td>
<td>5.831%</td>
</tr>
<tr>
<td>£400m</td>
<td>2025</td>
<td>6.359%</td>
</tr>
<tr>
<td>£400m</td>
<td>2021-2035</td>
<td>6.697%</td>
</tr>
<tr>
<td>£100m</td>
<td>2028-2036</td>
<td>LIBOR+margin</td>
</tr>
<tr>
<td>£90m</td>
<td>2030</td>
<td>Fixed rate</td>
</tr>
<tr>
<td>£50m</td>
<td>2028-2036</td>
<td>Fixed rate</td>
</tr>
<tr>
<td>£100m</td>
<td>2026-2031</td>
<td>Fixed rate</td>
</tr>
<tr>
<td>£100m</td>
<td>2037</td>
<td>Fixed rate</td>
</tr>
<tr>
<td>£400m</td>
<td>2034-2042</td>
<td>3.529%</td>
</tr>
</tbody>
</table>

None of the Bonds is puttable.

The Security Group finances itself using a Common Documents platform. This means that all covenants on the performance and management of the Security Group apply to all Senior lenders. Failure to comply with these may result in Bank loans and Bonds being repayable on demand. The Security Group was in compliance with the covenants during period ended 30 June 2019 and earlier periods.

The Security Group has granted a fixed and floating charge over all or its assets to secure this financing.
Notes to the condensed interim financial statements (continued)
for the 6 months ended 30 June 2019

14 Borrowings (continued)
Fees incurred on raising finance have been capitalised and are being amortised using the ‘effective interest method’ over the term of the borrowings.

Maturity of borrowings
The maturity profile of the carrying amount of the Company’s non-current borrowings at 30 June 2019 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>In more than one year but not more than two years</td>
<td>300,000</td>
<td>300,000</td>
</tr>
<tr>
<td>In more than two years but not more than five years</td>
<td>85,714</td>
<td>71,429</td>
</tr>
<tr>
<td>In more than five years</td>
<td>1,554,286</td>
<td>1,568,571</td>
</tr>
<tr>
<td>Total</td>
<td>1,940,000</td>
<td>1,940,000</td>
</tr>
</tbody>
</table>

15 Reconciliation of assets & liabilities arising on financing activities

<table>
<thead>
<tr>
<th></th>
<th>As at 31 December 2018</th>
<th>Non-cash finance (income)/ expense</th>
<th>Cash Flows receipts/ (payments)</th>
<th>As at 30 June 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Financing activities attributable to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eversholt Rail Limited</td>
<td>32,401</td>
<td>1,124</td>
<td>(1,529)</td>
<td>31,996</td>
</tr>
<tr>
<td>Bank interest accrued</td>
<td>-</td>
<td>40</td>
<td>-</td>
<td>40</td>
</tr>
<tr>
<td>Bond interest accrued</td>
<td>20,427</td>
<td>49,120</td>
<td>(49,364)</td>
<td>20,183</td>
</tr>
<tr>
<td>Swap Interest accrued</td>
<td>839</td>
<td>7,746</td>
<td>(7,534)</td>
<td>1,051</td>
</tr>
<tr>
<td>Bank Loan</td>
<td>-</td>
<td>-</td>
<td>75,000</td>
<td>75,000</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>53,667</td>
<td>58,030</td>
<td>16,573</td>
<td>128,270</td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eversholt Rail Limited</td>
<td>-</td>
<td>-</td>
<td>(75,000)</td>
<td>(75,000)</td>
</tr>
<tr>
<td>Eversholt Rail Limited accrued interest</td>
<td>(21,266)</td>
<td>(56,993)</td>
<td>56,985</td>
<td>(21,274)</td>
</tr>
<tr>
<td></td>
<td>(21,266)</td>
<td>(56,993)</td>
<td>(18,015)</td>
<td>(96,274)</td>
</tr>
</tbody>
</table>

16 Share capital

<table>
<thead>
<tr>
<th></th>
<th>30 June 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorised, allotted, called up and fully paid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>50,000 Ordinary shares of £1 each</td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td></td>
<td>50</td>
<td>50</td>
</tr>
</tbody>
</table>

The holders of ordinary shares are entitled to attend and vote at general meetings and receive dividends as and when declared.
Notes to the condensed interim financial statements (continued) for the 6 months ended 30 June 2019

17 Risk management

The types of risks to which the Company is exposed during the period and the Company's approach toward risk management, are consistent with the risks and approach described in the Company's 2018 annual financial statements.

Undiscounted cash flows on the Company assets and liabilities are analysed below by their contractual due date, including estimated interest cash flows where appropriate:

<table>
<thead>
<tr>
<th>30 June 2019</th>
<th>Carrying value £'000</th>
<th>Contractual cash flows £'000</th>
<th>On demand £'000</th>
<th>Due within 1 year £'000</th>
<th>Due between 1-5 years £'000</th>
<th>Due after 5 years £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Derivative financial instruments</td>
<td>17,837</td>
<td>8,207</td>
<td>-</td>
<td>2,059</td>
<td>4,362</td>
<td>1,786</td>
</tr>
<tr>
<td>Loans and receivables</td>
<td>2,036,274</td>
<td>2,763,112</td>
<td>-</td>
<td>195,169</td>
<td>714,282</td>
<td>1,853,661</td>
</tr>
<tr>
<td>- Intercompany term loans</td>
<td>500</td>
<td>500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>500</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>14</td>
<td>14</td>
<td>-</td>
<td>14</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Financial assets</td>
<td>2,054,625</td>
<td>2,771,833</td>
<td>-</td>
<td>197,242</td>
<td>718,644</td>
<td>1,855,947</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Derivative financial instruments</td>
<td>167,852</td>
<td>187,075</td>
<td>-</td>
<td>19,265</td>
<td>70,996</td>
<td>96,814</td>
</tr>
<tr>
<td>Borrowings and payables</td>
<td>2,036,274</td>
<td>2,763,112</td>
<td>-</td>
<td>195,169</td>
<td>714,282</td>
<td>1,853,661</td>
</tr>
<tr>
<td>- Borrowings</td>
<td>31,996</td>
<td>31,996</td>
<td>-</td>
<td>-</td>
<td>31,996</td>
<td>-</td>
</tr>
<tr>
<td>- Intercompany loans</td>
<td>127</td>
<td>127</td>
<td>-</td>
<td>127</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Financial liabilities</td>
<td>2,236,249</td>
<td>2,982,310</td>
<td>-</td>
<td>214,561</td>
<td>817,274</td>
<td>1,950,476</td>
</tr>
<tr>
<td>Total Financial Instruments</td>
<td>(181,624)</td>
<td>(210,477)</td>
<td>-</td>
<td>(17,319)</td>
<td>(98,630)</td>
<td>(94,528)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>31 December 2018</th>
<th>Carrying value £'000</th>
<th>Contractual cash flows £'000</th>
<th>On demand £'000</th>
<th>Due within 1 year £'000</th>
<th>Due between 1-5 years £'000</th>
<th>Due after 5 years £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Derivative financial instruments</td>
<td>1,779</td>
<td>8,284</td>
<td>-</td>
<td>2,083</td>
<td>4,369</td>
<td>1,832</td>
</tr>
<tr>
<td>Loans and receivables</td>
<td>1,961,266</td>
<td>2,550,086</td>
<td>-</td>
<td>97,040</td>
<td>345,838</td>
<td>2,107,208</td>
</tr>
<tr>
<td>- Intercompany term loans</td>
<td>645</td>
<td>645</td>
<td>145</td>
<td>-</td>
<td>-</td>
<td>500</td>
</tr>
<tr>
<td>Total Financial assets</td>
<td>1,983,990</td>
<td>2,559,015</td>
<td>145</td>
<td>99,123</td>
<td>350,207</td>
<td>2,109,540</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Derivative financial instruments</td>
<td>128,235</td>
<td>144,452</td>
<td>-</td>
<td>16,932</td>
<td>59,317</td>
<td>68,203</td>
</tr>
<tr>
<td>Borrowings and payables</td>
<td>1,961,266</td>
<td>2,550,086</td>
<td>-</td>
<td>97,040</td>
<td>345,838</td>
<td>2,107,208</td>
</tr>
<tr>
<td>- Borrowings</td>
<td>32,401</td>
<td>32,401</td>
<td>-</td>
<td>-</td>
<td>32,401</td>
<td>-</td>
</tr>
<tr>
<td>- Intercompany loans</td>
<td>47</td>
<td>47</td>
<td>-</td>
<td>47</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Financial liabilities</td>
<td>2,121,949</td>
<td>2,726,986</td>
<td>-</td>
<td>114,019</td>
<td>437,556</td>
<td>2,175,411</td>
</tr>
<tr>
<td>Total Financial Instruments</td>
<td>(158,259)</td>
<td>(167,971)</td>
<td>145</td>
<td>(14,896)</td>
<td>(87,349)</td>
<td>(65,871)</td>
</tr>
</tbody>
</table>
18 Financial instruments

The fair values together with the carrying amounts of the financial assets and financial liabilities are as follows:

<table>
<thead>
<tr>
<th>30 June 2019</th>
<th>Note</th>
<th>Carrying amount £'000</th>
<th>Level 1 £'000</th>
<th>Fair value Level 2 £'000</th>
<th>Level 3 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value through profit or loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Derivative financial instruments</td>
<td>11</td>
<td>17,837</td>
<td>-</td>
<td>17,837</td>
<td>-</td>
</tr>
<tr>
<td>Loans and receivables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Intercompany loan receivables (fixed)</td>
<td>9</td>
<td>1,500,000</td>
<td>-</td>
<td>1,723,335</td>
<td>-</td>
</tr>
<tr>
<td>- Intercompany loan receivables (fixed)</td>
<td>9</td>
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Eversholt Funding plc

Notes to the condensed interim financial statements (continued)
for the 6 months ended 30 June 2019

19 Fair value of financial assets and liabilities

There are no other material differences between the carrying value and the fair value of other financial assets and liabilities as at 30 June 2019 (31 December 2018: £nil).

20 Related party transactions

20.1 Identity of related parties

The Company has a related party relationship with its directors and with other entities in the Eversholt UK Rails Group, namely:
- Eversholt UK Rails Limited
- Eversholt UK Rails (Holding) Limited
- European Rail Finance Holdings Limited
- Eversholt Investment Limited
- European Rail Finance Limited
- Eversholt Rail Leasing Limited
- Eversholt Rail Holdings (UK) Limited
- Eversholt Finance Holdings Limited
- Eversholt Rail Limited
- Eversholt Depot Finance Limited
- Eversholt Rail (365) Limited
- European Rail Finance (2) Limited

20.2 Transactions with related parties

The company has loan accounts with fellow subsidriaries which are more fully described in note 9 and 14. Interest on these accounts is more fully described in notes 4 and 5.

During the 6 months ended 30 June 2018 the Company paid management fees of £7,500 to Eversholt Rail Limited.

The Company transferred borrowing related transaction costs of £321,301 (6 months ended 30 June 2018: £174,102) to Eversholt Rail Leasing Limited.

21 Contingent liabilities

There were no contingent liabilities for the Company at 30 June 2019.

22 Subsequent events

There are no subsequent events requiring disclosure in these financial statements.