

# **Eversholt Rail Leasing Limited**

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

**Registered No: 02720809**

**Condensed interim financial statements**

for the 6 months ended 30 June 2019

**Contents**

Condensed income statement	2
Condensed statement of other 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

		6 months ended	
		30 June 2019	30 June 2018
	Note	£'000	£'000
<b>Revenue</b>			
Operating lease income	4	205,746	185,155
Other income	4	4,897	3
<b>Total revenue</b>		<b>210,643</b>	<b>185,158</b>
Cost of sales	5	(113,296)	(101,589)
<b>Gross Profit</b>		<b>97,347</b>	<b>83,569</b>
Finance expense	6	(57,619)	(46,610)
Net fair value gain on derivative financial instruments	20	355	25
Administrative expense	7	(8,788)	(8,779)
Loss on disposal of property, plant and equipment		(1,892)	(10)
<b>Profit before tax</b>		<b>29,403</b>	<b>28,195</b>
Income tax charge	9	(9,755)	(5,857)
<b>Profit for the period</b>		<b>19,648</b>	<b>22,338</b>

There were no discontinued or discontinuing operations during the period.

The notes on pages 6 to 16 form an integral part of these financial statements.

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

		6 months ended	
		30 June 2019	30 June 2018
	Note	£'000	£'000
Profit for the period		19,648	22,338
<b>Other comprehensive expense</b>			
Effective portion of changes in fair value of cash flow hedges	20	(17,219)	(4,147)
Realised loss on cash flow hedges to property, plant and equipment	20	(682)	(363)
Tax credit on changes in effective portion of changes in fair value of cash flow hedges	19,20	3,044	766
		(14,857)	(3,744)
<b>Total comprehensive income for the period</b>		<b>4,791</b>	<b>18,594</b>

Effective portion of changes in fair value cash flow hedges may be reclassified to the Income statement in future years.

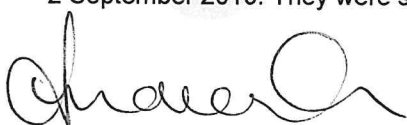
# Condensed statement of financial position

as at 30 June 2019

		30 June 2019 £'000	31 December 2018 £'000
<b>Assets</b>	<b>Note</b>		
<b>Non-current assets</b>			
Property, plant and equipment	12	2,534,892	2,400,233
Investments in subsidiaries	11	149,319	149,319
Derivative financial instruments	20	4,655	21,519
		<u>2,688,866</u>	<u>2,571,071</u>
<b>Current assets</b>			
Trade and other receivables	13	8,842	2,029
Current tax		5,140	15,312
Cash and cash deposits	14	132,112	50,371
		<u>146,094</u>	<u>67,712</u>
<b>Total assets</b>		<u>2,834,960</u>	<u>2,638,783</u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	15	18,721	36,837
Other liabilities	16	24,358	4,485
Borrowings	17	58,128	57,039
		<u>101,207</u>	<u>98,361</u>
<b>Non-current liabilities</b>			
Other liabilities	16	118,235	116,323
Borrowings	17	2,439,683	2,252,767
Deferred tax	19	78,546	78,834
		<u>2,636,464</u>	<u>2,447,924</u>
<b>Total liabilities</b>		<u>2,737,671</u>	<u>2,546,285</u>
<b>Equity</b>			
Share capital	21	50,000	50,000
Hedging reserve	20	7,202	22,059
Retained earnings		40,087	20,439
<b>Total equity</b>		<u>97,289</u>	<u>92,498</u>
<b>Total equity and liabilities</b>		<u>2,834,960</u>	<u>2,638,783</u>

The notes on pages 6 to 16 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 02720809

**Condensed statement of cash flows**  
for the 6 months ended 30 June 2019

		6 months ended	
	Note	30 June 2019 £'000	30 June 2018 £'000
<b>Cash flows from operating activities</b>			
Profit before tax		29,403	28,195
Adjustments for:			
- Depreciation charge	5	79,070	68,188
- Finance expense	6	57,619	46,610
- Loss on disposal of property, plant and equipment	12	1,892	10
- Gain on fair value of derivative financial instruments	20	(355)	(25)
<b>Operating cash flow before changes in working capital</b>		<b>167,629</b>	<b>142,978</b>
(Increase)/decrease in trade and other receivables	13	(6,813)	5,768
Increase/(decrease) in other liabilities	16	21,785	(2,040)
Decrease in trade and other payables	15	(18,116)	(3,772)
<b>Cash generated by operating activities</b>		<b>164,485</b>	<b>142,934</b>
Receipt in respect of group relief		3,173	1,548
<b>Net cash generated by operating activities</b>		<b>167,658</b>	<b>144,482</b>
<b>Cash flow from investing activities</b>			
Acquisition of property, plant and equipment	12	(216,429)	(74,449)
Proceeds from disposal of property, plant and equipment	12	187	-
<b>Net cash utilised in investing activities</b>		<b>(216,242)</b>	<b>(74,449)</b>
<b>Cash flow from financing activities</b>			
Investment in short-term bank deposits	14	(95,093)	-
Loan repaid to Eversholt Rail Limited	18	(59,380)	(59,380)
Finance expense paid	6	(1,742)	(174)
Movement in intercompany loan with Eversholt Rail Limited	18	191,447	(2,726)
<b>Net cash generated by/(utilised in) financing activities</b>		<b>35,232</b>	<b>(62,280)</b>
<b>Net movement in cash and cash equivalents</b>		<b>(13,352)</b>	<b>7,753</b>
Cash and cash equivalents at the beginning of the period		50,371	4,995
<b>Cash and cash equivalents at the end of the period</b>	14	<b>37,019</b>	<b>12,748</b>

**Condensed statement of changes in equity**

for the 6 months ended 30 June 2019

	<i>Note</i>	Share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2018</b>	<b>21</b>	<b>50,000</b>	<b>26,355</b>	<b>3,233</b>	<b>79,588</b>
Profit for the period		-	-	22,338	22,338
Effective portion of changes in fair value of cash flow hedges	<b>20</b>	-	(4,147)	-	(4,147)
Realised loss on cash flow hedges	<b>20</b>	-	(363)	-	(363)
Income tax credit on other comprehensive income	<b>19</b>	-	766	-	766
<b>Total comprehensive (expense)/income</b>		-	(3,744)	22,338	18,594
<b>Balance at 30 June 2018</b>		<b>50,000</b>	<b>22,611</b>	<b>25,571</b>	<b>98,182</b>
<b>Balance at 1 January 2019</b>	<b>21</b>	<b>50,000</b>	<b>22,059</b>	<b>20,439</b>	<b>92,498</b>
Profit for the period		-	-	19,648	19,648
Effective portion of changes in fair value of cash flow hedges	<b>20</b>	-	(17,219)	-	(17,219)
Realised loss on cash flow hedges	<b>20</b>	-	(682)	-	(682)
Income tax credit on other comprehensive expense	<b>19</b>	-	3,044	-	3,044
<b>Total comprehensive (expense)/income</b>		-	(14,857)	19,648	4,791
<b>Balance at 30 June 2019</b>	<b>21</b>	<b>50,000</b>	<b>7,202</b>	<b>40,087</b>	<b>97,289</b>



## Notes to the condensed interim financial statements

for the 6 months ended 30 June 2019

### 1 General information

Eversholt Rail Leasing Limited (the "Company") is a private company incorporated and domiciled in England and Wales under the Companies Act and is limited by shares (see note 21). 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.

The Company is exempt from the requirement to prepare consolidated financial statements by virtue of Section 401 of the Companies Act 2006. The financial statements present information about the Company as an individual undertaking.

#### 2.1 Compliance with International Financial Reporting Standards

The financial statements of Eversholt Rail Leasing Limited 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 adopted 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 Company's forecasts and projections taking account of reasonably possible changes in trading performance show that the Company, having commitment of support from Eversholt UK Rails Group ("Group") more fully described in note 27, has adequate resources to continue in the operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing financial statements.

### 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 except, in principle, as regards to accounting for leases under IFRS 16 Leases. This standard replaces IAS 17 with effect from 1 January 2019 and has little, if any, impact on the Company. This is because the Company only participates as a lessor in lease transactions and IFRS 16 does not change the accounting treatment of leases for lessors.

#### 3.1 Leases

##### The Company as lessor

The Company enters into lease arrangements as lessor with respect to Rolling stock and other railway assets, classified as Property, plant and equipment (note 12).

Accounting for leases as a lessor, is summarised as follows:

A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership to the lessee. Otherwise, the lease is classified as an operating lease.

If the Company is an intermediate lessor, it accounts for the headlease and the sublease as two separate arrangements. The sublease is classified as a finance or operating lease by reference to the right of use asset arising under the headlease.

Rental income from operating leases is recognised on a straight-line basis over the lease term of the related lease. Initial direct costs incurred in negotiation and arranging an operating lease are added to the initial carrying amount of the lease asset and recognised straight line over the lease term.

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

**3 Summary of significant accounting policies (continued)**

**3.1 Leases (continued)**

**The Company as lessor (continued)**

Amounts due from lessees under a finance lease are recognised as received, at an amount equal to the Company's net investment in the leases. Finance lease income is allocated to periods so as to reflect a constant periodic rate of return on the Company's net investment in respect of the lease.

**4 Revenue from contracts with customers and suppliers**

**Revenue information**

The Company generates revenue primarily from the rental of rolling stock assets under operating leases. Total income can be analysed as follows:

	6 months ended	
	30 June 2019	30 June 2018
	£'000	£'000
Other income	4,897	3
Operating lease rental income	205,746	185,155
	<u>210,643</u>	<u>185,158</u>

**5 Cost of sales**

	6 months ended	
	30 June 2019	30 June 2018
	£'000	£'000
Depreciation	(79,070)	(68,188)
Maintenance cost	(34,226)	(33,401)
	<u>(113,296)</u>	<u>(101,589)</u>

**6 Finance expense**

	6 months ended	
	30 June 2019	30 June 2018
	£'000	£'000
Interest payable to Eversholt Rail Limited	(55,877)	(46,436)
Finance charges payable to Eversholt Funding plc	(321)	(174)
Bank Interest payable	(35)	-
Other Interest	(1,386)	-
	<u>(57,619)</u>	<u>(46,610)</u>

Finance expenses represent interest charged in relation to financial liabilities carried at amortised cost.

**7 Administrative expense**

Administrative expenses include the following:

	6 months ended	
	30 June 2019	30 June 2018
	£'000	£'000
Management fees payable to Eversholt Rail Limited	(8,713)	(8,737)
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).



## Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2019

### 8 Directors' emoluments

The three Directors have been remunerated by other group undertakings.

### 9 Income tax charge

	6 months ended	
	30 June 2019	30 June 2018
	£'000	£'000
<b>Current tax</b>		
UK Corporation tax on current year profit	(6,999)	137
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(3,080)	(5,494)
Change in tax rate	324	(500)
	<u>(2,756)</u>	<u>(5,994)</u>
<b>Income tax charge</b>	<u>(9,755)</u>	<u>(5,857)</u>

The following table reconciles the tax charge which would apply if all profits had been taxed at the UK corporation tax rate:

	6 months ended	
	30 June 2019	30 June 2018
	£'000	£'000
Profit before tax	29,403	28,195
Taxation at corporation tax rate of 19% (2018: 19%)	(5,586)	(5,357)
Change in tax rate	324	(500)
Non-deductible expense	(4,493)	-
<b>Income tax charge</b>	<u>(9,755)</u>	<u>(5,857)</u>

In addition to the amounts charged to the Income statement, the aggregate amount of current and deferred tax relating to components of other comprehensive income resulted in a £3,044,255 gain being recognised in total comprehensive income (6 months ended 30 June 2018: £766,686).

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.

### 10 Dividends

The Company received £nil dividend income (6 months ended 30 June 2018: £nil).

For the period ended 30 June 2019 no dividends have been paid nor declared to European Rail Finance Holdings Limited (6 months ended 30 June 2018: £nil), the Company's immediate parent company.

### 11 Investments in subsidiaries

	30 June 2019	31 December 2018
	£'000	£'000
Cost	<u>149,319</u>	<u>149,319</u>

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

**12 Property, plant and equipment**

	Rolling stock and other railway assets £'000
<b>Cost</b>	
<b>Balance at 1 January 2018</b>	2,642,805
Additions	261,441
Disposals	(924)
<b>Balance at 31 December 2018</b>	<b>2,903,322</b>
Additions	215,808
Disposals	(13,449)
<b>Balance at 30 June 2019</b>	<b>3,105,681</b>
<b>Depreciation</b>	
<b>Balance at 1 January 2018</b>	335,316
Charge for the year	168,686
Disposals	(913)
<b>Balance at 31 December 2018</b>	<b>503,089</b>
Charge for the period	79,070
Disposals	(11,370)
<b>Balance at 30 June 2019</b>	<b>570,789</b>
<b>Carrying value at 30 June 2019</b>	<b>2,534,892</b>
Carrying value at 31 December 2018	2,400,233

The cost of tangible fixed assets at 30 June 2019 includes capitalised interest of £44,617,308 (31 December 2018: £40,775,339). The capitalisation rate used is the rate of interest attaching to the Company's borrowings attributable to the acquisition of rolling stock.

The depreciation charge is included within the cost of sales in the Income statement.

Additions includes non-cash transfers from other comprehensive income of £682,420 (31 December 2018: £1,346,471) and bank loan capitalised interest of £60,573 (31 December 2018: £97,304).

All fixed assets are subject to operating lease arrangements.

**13 Trade and other receivables**

	30 June 2019 £'000	31 December 2018 £'000
Trade receivables	8,842	2,029

**14 Cash and cash deposits**

Cash and cash deposits are analysed as:

	30 June 2019 £'000	31 December 2018 £'000
Cash	37,019	50,371
Cash demand deposits	-	-
<b>Cash and cash equivalents</b>	<b>37,019</b>	<b>50,371</b>
Short-term deposits	95,093	-
<b>Cash and cash deposits</b>	<b>132,112</b>	<b>50,371</b>

**Notes to the condensed interim financial statements (continued)**

for the 6 months ended 30 June 2019

**15 Trade and other payables**

	30 June 2019 £'000	31 December 2018 £'000
Trade payables	26	5,935
Rentals received in advance	1,002	9,674
Accruals	11,527	19,156
Other payables	6,166	2,072
	<b>18,721</b>	<b>36,837</b>

**16 Other liabilities**

Other liabilities represents amounts charged to customers under current contracts in relation to their share of future rolling stock maintenance costs after the expiry of the current lease. These amounts will be paid out over the course of future leases, as yet unidentified, to future lessees who will undertake future rolling stock maintenance. Such amounts will never be recognised as revenue in the Company's income statement and can be analysed as follows:

	30 June 2019 £'000	31 December 2018 £'000
Current	<b>24,358</b>	<b>4,485</b>
Non-current	<b>118,235</b>	<b>116,323</b>

**17 Borrowings**

	30 June 2019 £'000	31 December 2018 £'000
<b>Current</b>		
Eversholt Rail Limited (term loan)	<b>58,128</b>	<b>57,039</b>
<b>Non-current</b>		
Eversholt Rail Limited (term loan)	<b>1,352,241</b>	<b>1,381,791</b>
Eversholt Rail Limited (intercompany loan)	<b>1,081,498</b>	<b>865,093</b>
Bank loan	<b>5,944</b>	<b>5,883</b>
	<b>2,439,683</b>	<b>2,252,767</b>

The term loan with Eversholt Rail Limited is repayable on or before 1 April 2036 with capital and interest payable on a monthly basis. Interest is charged at a fixed rate plus margin.

The intercompany loan with Eversholt Rail Limited is classified as non-current as it is repayable on 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).

The bank loan is classified as non-current as it is repayable in 2021. Interest on the loan is payable on a six-monthly basis at a floating rate of LIBOR (31 December 2018: LIBOR).

All assets have been pledged to secure borrowings of the Group. The Company is not permitted to pledge these assets as security for other borrowings and is restricted in the use of disposal proceeds. The assets are secured by a fixed and floating charge held by the financial institutions that have lent to Eversholt Funding plc.



**Notes to the condensed interim financial statements (continued)**

for the 6 months ended 30 June 2019

**17 Borrowings (continued)****Maturity of borrowings**

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

	30 June 2019 £'000	31 December 2018 £'000
In more than one year but not more than two years	60,905	59,429
In more than two years but not more than five years	1,286,925	1,066,294
In more than five years	1,091,853	1,127,044
	<b>2,439,683</b>	<b>2,252,767</b>

**18 Reconciliation of liabilities arising from financing activities**

	As at 31 December 2018 £'000	Cash Flows (payments)/ receipts £'000	Non-cash finance expense £'000	As at 30 June 2019 £'000
Financing activities attributable to:				
Eversholt Rail Limited (term Loan)	1,438,830	(59,380)	30,919	1,410,369
Eversholt Rail Limited	865,093	191,447	24,958	1,081,498
Bank Loan	5,883	-	61*	5,944
	<b>2,309,806</b>	<b>132,067</b>	<b>55,938</b>	<b>2,497,811</b>

\* £60,573 (31 December 2018: £97,304) relates to capitalised interest transferred to Property, plant and equipment (see note 12).

**19 Deferred tax liability**

The following is the analysis of the deferred tax balances

	30 June 2019 £'000	31 December 2018 £'000
Balance at end of the period/year	<b>78,546</b>	<b>78,834</b>

	Capital Allowances £000's	Fair value on derivatives £000's	Prior year adjustments £000's	Total £000's
At 1 January 2018	70,097	5,389	(659)	74,827
Charge/(credit) to income statement	5,483	-	(19)	5,464
Credit to other comprehensive income	-	(880)	-	(880)
Effect of change in tax rate:				
- Income statement	(577)	-	-	(577)
At 31 December 2018	<b>75,003</b>	<b>4,509</b>	<b>(678)</b>	<b>78,834</b>
Charge to income statement	3,080	-	-	3,080
Credit to other comprehensive income	-	(3,044)	-	(3,044)
Effect of change in tax rate:				
- Income statement	(324)	-	-	(324)
At 30 June 2019	<b>77,759</b>	<b>1,465</b>	<b>(678)</b>	<b>78,546</b>



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

**19 Deferred tax liability (continued)**

In assessing the recoverability of deferred tax assets, the Company considers the extent to which it is probable that there will be sufficient taxable profits in the future to allow the benefit of part or all of the deferred tax asset to be utilised. In assessing this, the Company considers internal profit projections and budgets and related tax impacts, as well the amount and timing of reversal timing differences giving rise to deferred tax liabilities at the balance sheet date.

The deferred tax 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.

**20 Derivative financial instruments**

The Company continues to hold foreign exchange forward contracts to hedge cash flow risk associated with the fluctuations in foreign exchange rates on non-sterling payments for the purchase of new rolling stock. All such contracts are part of hedge accounting relationships.

The fair values of the derivative financial instruments are as follows:

**30 June 2019**

	Notional Amount £'000	Fair value amount £'000	Change in fair value used for calculating hedge ineffectiveness £'000
<b>Non-current assets</b>			
FX forward contracts – hedge accounted	<u>58,396</u>	<u>4,655</u>	<u>(16,864)</u>

**31 December 2018**

	Notional Amount £'000	Fair value amount £'000	Change in fair value used for calculating hedge ineffectiveness £'000
<b>Non-current assets</b>			
FX forward contracts – hedge accounted	<u>193,786</u>	<u>21,519</u>	<u>(6,389)</u>

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

In 2018, the Company entered into a new foreign exchange forward contract to hedge the variability in functional currency equivalent cash flows associated with committed EUR denominated capital expenditure. On inception the contracts were designated in hedge accounting relationships.

The hedging instruments are expected to mature with the following profile

Maturity	Notional Value
Within 1 year	57,014
1-2 years	1,382

The change in the fair value of the hedged item used as a basis of recognising hedge ineffectiveness is a loss of £17,219,010 (6 months ended 30 June 2018: £4,146,767).

Hedge ineffectiveness is attributable to differences between actual and expected dates of cashflows relating to EUR denominated capital expenditure. Expected dates are established when capital commitments first arise and they are used in setting the terms of the related foreign exchange contracts.

**Notes to the condensed interim financial statements (continued)**

for the 6 months ended 30 June 2019

**20 Derivative financial instruments (continued)**

Amounts affecting the statement of comprehensive income and financial position, are as follows:

**Movement in fair value of Derivative financial instruments**

	Current hedge accounted £'000	Total £'000
<b>Balance at 1 January 2019</b>	<b>21,519</b>	<b>21,519</b>
Unrealised gain through the income statement – hedge ineffectiveness	355	355
Unrealised loss through other comprehensive expense	(17,219)	(17,219)
<b>Balance at 30 June 2019</b>	<b>4,655</b>	<b>4,655</b>
<b>Balance at 1 January 2018</b>	<b>27,908</b>	<b>27,908</b>
Unrealised gain through the income statement – hedge ineffectiveness	134	134
Unrealised loss through other comprehensive expense	(6,523)	(6,523)
<b>Balance at 31 December 2018</b>	<b>21,519</b>	<b>21,519</b>

**Movement in Hedging reserve**

	Current hedge accounted £'000	Terminated hedge accounted £'000	Total £'000
<b>Balance at 1 January 2019</b>	<b>(19,549)</b>	<b>(2,510)</b>	<b>(22,059)</b>
Unrealised loss through other comprehensive expense	17,219	-	17,219
Transfer between categories	264	(264)	-
Release to property, plant & equipment	(1,016)	1,698	682
Income tax on other comprehensive expense	(2,799)	(245)	(3,044)
<b>Balance at 30 June 2019</b>	<b>(5,881)</b>	<b>(1,321)</b>	<b>(7,202)</b>
<b>Balance at 1 January 2018</b>	<b>(23,179)</b>	<b>(3,176)</b>	<b>(26,355)</b>
Unrealised loss through other comprehensive expense	6,523	-	6,523
Release to property, plant & equipment	(2,149)	802	(1,347)
Income tax on other comprehensive expense	(744)	(136)	(880)
<b>Balance at 31 December 2018</b>	<b>(19,549)</b>	<b>(2,510)</b>	<b>(22,059)</b>

As at 30 June 2019, the hedges were deemed to be highly effective and the fair value asset of the foreign exchange forward contracts was £4,654,569 (31 December 2018: £21,518,734).

The hedging reserve contains balances relating to outstanding and terminated derivative contracts, where the hedged future cashflows are still expected to occur.

Cumulative unrealised losses related to contracts terminated during the year ended 31 December 2016 remain in other comprehensive income. During the period a loss of £1,698,215 (6 months ended 30 June 2018: £297,132) was released to property, plant and equipment additions; the residual gain recognised in other comprehensive income will amortise to property, plant and equipment in line with the payment profile for the hedged capital expenditure.

**21 Share capital**

	30 June 2019 £'000	31 December 2018 £'000
<b>Authorised, allotted, called up and fully paid</b>		
50,000,002 Ordinary shares of £1 each	50,000	50,000

The holders of ordinary shares are entitled to attend and vote at annual 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

## 22 Capital commitments

In respect of capital expenditure

	30 June 2019 £'000	31 December 2018 £'000
Authorised and contracted	<u>354,111</u>	<u>573,733</u>

## 23 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:

	Carrying value £'000	Total undiscounted cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
<b>30 June 2019</b>						
<b>Financial assets</b>						
Fair value through profit or loss						
- Derivative financial instruments	4,655	4,450	-	4,327	123	-
Loans and receivables						
- Trade and other receivables	8,842	8,842	-	8,842	-	-
Cash and cash deposits	<u>132,112</u>	<u>132,112</u>	<u>37,019</u>	<u>95,093</u>	<u>-</u>	<u>-</u>
	<u>145,609</u>	<u>145,404</u>	<u>37,019</u>	<u>108,262</u>	<u>123</u>	<u>-</u>
<b>Financial liabilities</b>						
- Trade and other payables	18,721	18,721	-	18,721	-	-
- Intercompany term lending	1,410,369	1,410,369	-	58,128	260,388	1,091,853
- Intercompany loan	1,081,498	1,081,498	-	-	1,081,498	-
- Bank loan	<u>5,944</u>	<u>5,944</u>	<u>-</u>	<u>-</u>	<u>5,944</u>	<u>-</u>
	<u>2,516,532</u>	<u>2,516,532</u>	<u>-</u>	<u>76,849</u>	<u>1,347,830</u>	<u>1,091,853</u>
<b>Total financial instruments</b>	<u>(2,370,923)</u>	<u>(2,371,128)</u>	<u>37,019</u>	<u>31,413</u>	<u>(1,347,707)</u>	<u>(1,091,853)</u>
<b>31 December 2018</b>						
<b>Financial assets</b>						
Fair value through profit or loss						
- Derivative financial instruments	21,519	19,834	-	19,704	130	-
Loans and receivables						
- Trade and other receivables	2,029	2,029	-	2,029	-	-
Cash and cash deposits	<u>50,371</u>	<u>50,371</u>	<u>50,371</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>73,919</u>	<u>72,234</u>	<u>50,371</u>	<u>21,733</u>	<u>130</u>	<u>-</u>
<b>Financial liabilities</b>						
- Trade and other payables	36,837	36,837	-	36,837	-	-
- Intercompany term lending	1,438,830	1,438,830	-	57,039	249,047	1,132,744
- Intercompany loan	865,093	865,093	-	-	865,093	-
- Bank loan	<u>5,883</u>	<u>5,883</u>	<u>-</u>	<u>-</u>	<u>5,883</u>	<u>-</u>
	<u>2,346,643</u>	<u>2,346,643</u>	<u>-</u>	<u>93,876</u>	<u>1,120,023</u>	<u>1,132,744</u>
<b>Total financial instruments</b>	<u>(2,272,724)</u>	<u>(2,274,409)</u>	<u>50,371</u>	<u>(72,143)</u>	<u>(1,119,893)</u>	<u>(1,132,744)</u>



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

**24 Financial Instruments**

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

30 June 2019	Note	Carrying amount £'000	Level 1 £'000	Fair value Level 2 £'000	Level 3 £'000
<b>Financial assets</b>					
Fair value through profit or loss					
- Derivative financial instruments	20	4,655	-	4,655	-
Loans and receivables					
- Trade and other receivables	13	8,842			
Cash and cash deposits	14	132,112			
<b>Total Financial assets</b>		<b>145,609</b>			
<b>Financial liabilities</b>					
Non-derivative instruments – amortised cost					
- Trade and other payables	15	18,721			
- Intercompany term lending	17	1,410,369			
- Intercompany loan	17	1,081,498			
- Bank loan	17	5,944			
<b>Total Financial liabilities</b>		<b>2,516,532</b>			
<b>Total Financial instruments</b>		<b>(2,370,923)</b>			
31 December 2018	Note	Carrying amount £'000	Level 1 £'000	Fair value Level 2 £'000	Level 3 £'000
<b>Financial assets</b>					
Fair value through profit or loss					
- Derivative financial instruments	20	21,519	-	21,519	-
Loans and receivables					
- Trade and other receivables	13	2,029			
Cash and cash deposits	14	50,371			
<b>Total Financial assets</b>		<b>73,919</b>			
<b>Financial liabilities</b>					
Non-derivative instruments – amortised cost					
- Trade and other payables	15	36,837			
- Intercompany term lending	17	1,438,830			
- Intercompany loan	17	865,093			
- Bank loan	17	5,883			
<b>Total Financial liabilities</b>		<b>2,346,643</b>			
<b>Total Financial instruments</b>		<b>(2,272,724)</b>			

**25 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).



**Notes to the condensed interim financial statements (continued)**

for the 6 months ended 30 June 2019

**26 Leases**

**The Company as lessor**

The Company has contracts with lessees in relation to rolling stock. At the reporting date, the outstanding commitments for future minimum lease receipts under operating leases are as follows:

	30 June 2019 £'000	31 December 2018 £'000
Within one year	261,420	259,823
2-5 years	405,876	333,399
Over 5 years	76,999	76,914
	<u>744,295</u>	<u>670,136</u>
Aggregate operating lease rentals receivable in the period/year	<u>205,746</u>	<u>379,956</u>

**27 Related-party transactions**

**27.1 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 Limited
- Eversholt Rail Holdings (UK) Limited
- Eversholt Finance Holdings Limited
- Eversholt Funding plc
- Eversholt Depot Finance Limited
- Eversholt Rail (365) Limited
- European Rail Finance (2) Limited

**27.2 Transactions with related parties**

The Company has loans with related parties, more fully described in note 17. Interest on the loans is more fully described in note 6.

The Company paid management fees to Eversholt Rail Limited of £8,712,660 (6 months ended 30 June 2018: £8,736,671).

The Company paid Eversholt Rail Limited £16,956,017 for the procurement of maintenance of the rolling stock (6 months ended 30 June 2018: £33,219,400).

**28 Contingent liabilities**

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

**29 Subsequent events**

The Company's investment in Eversholt Rail (365) Limited was fully impaired at 31 December 2018. Following a deterioration in Class 365's prospects during 2019, a liquidator was appointed to Eversholt Rail (365) Limited on 19 August 2019. Liquidation is expected to be completed within 12 months. It is not anticipated that the liquidation will result in a gain or loss to the Company.