

Eversholt Funding plc

**Unaudited, condensed interim financial statements
for the 6 months ended 30 June 2020**

Registered No: 07329930

Unaudited

Condensed interim financial statements

for the 6 months ended 30 June 2020

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Unaudited

Condensed income statement

for the 6 months ended 30 June 2020

		6 months ended	
		30 June	30 June
		2020	2019
		£'000	£'000
Revenue			
Fee income	4.1	258	-
Finance income	4.2	58,543	56,993
Other income	4.3	11,354	-
Total revenue		70,155	56,993
Finance expense	5	(60,275)	(58,030)
Net fair value loss on derivative financial instruments	11	(4,708)	(1,104)
Gross profit/(loss)		5,172	(2,141)
Administrative expense	6	(11,564)	(263)
Loss before tax		(6,392)	(2,404)
Income tax credit	7	3,383	435
Loss for the period		(3,009)	(1,969)

There were no discontinued or discontinuing operations during the period.

The notes on pages 6 to 19 form an integral part of these financial statements.

Condensed statement of comprehensive income

for the 6 months ended 30 June 2020

		6 months ended	
		30 June	30 June
		2020	2019
		£'000	£'000
Loss for the period		(3,009)	(1,969)
Other comprehensive income/(expense)			
Effective portion of changes in fair value of cash flow hedges	11	(56,135)	(22,455)
Realised gain on cash flow hedges to fellow group companies	11	41	399
Realised gain on cash flow hedges to the Income statement	11	556	238
Tax credit on changes in effective portion of changes in fair value of cash flow hedges	9	11,608	3,710
		(43,930)	(18,108)
Total comprehensive expense for the period		(46,939)	(20,077)

Effective portion of changes in fair value cash flow hedges, together with related tax effects, may be reclassified to the Income statement in future years.

Condensed statement of financial position

as at 30 June 2020

	Note	30 June 2020 £'000	31 December 2019 £'000
Assets			
Non-current assets			
Deferred tax	9	42,087	27,415
Derivative financial instruments	11	57,658	21,821
Amounts owed by group undertakings	10	1,968,695	1,640,000
		<u>2,068,440</u>	<u>1,689,236</u>
Current assets			
Amounts owed by group undertakings	10	321,293	407,249
Derivative financial instruments	11	229	-
Current tax		644	325
Cash and cash equivalents	12	500	1,461
Trade and other receivables		107	10
		<u>322,773</u>	<u>409,045</u>
Total assets		<u>2,391,213</u>	<u>2,098,281</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	13	726	22
Derivative financial instruments	11	-	286
Borrowings	14	320,721	407,579
		<u>321,447</u>	<u>407,887</u>
Non-current liabilities			
Borrowings	14	1,962,583	1,635,610
Amounts owed to group undertakings	10	33,676	31,533
Derivative financial instruments	11	268,408	171,213
		<u>2,264,667</u>	<u>1,838,356</u>
Total liabilities		<u>2,586,114</u>	<u>2,246,243</u>
Equity			
Share capital	16	50	50
Accumulated deficit		(107,199)	(104,190)
Hedging reserve	11	(87,752)	(43,822)
Total equity		<u>(194,901)</u>	<u>(147,962)</u>
Total equity and liabilities		<u>2,391,213</u>	<u>2,098,281</u>

The notes on pages 6 to 19 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 2020. 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 2020

	Note	6 months ended	
		30 June 2020 £'000	30 June 2019 £'000
Cash flow from operating activities			
Loss before tax		(6,392)	(2,404)
Adjustments for:			
- Finance expense	5	60,275	58,030
- Finance income	4.2	(58,543)	(56,993)
- Amortisation of capitalised finance charges	20.2	320	321
- Fair value adjustment on derivative financial instruments	11	4,708	1,104
Operating cash flow before changes in working capital		368	58
Increase in trade and other receivables		(97)	(14)
Increase in trade and other payables	13	4	80
Cash flow generated by operating activities		275	124
Receipt in respect of group relief		-	536
Net cash generated by operating activities		275	660
Cash flow from investing activities			
Amounts borrowed by group entities	15	(255,049)	(75,000)
Interest received on loan to Eversholt Rail Limited	15	59,499	56,985
Net cash utilised in investing activities		(195,550)	(18,015)
Cash flow from financing activities			
Movement in intercompany loan with Eversholt Rail Limited	15	1,093	(1,529)
Bonds	15	340,351	-
Movement in external borrowings	15	(85,000)	75,000
Interest paid on bonds	15	(49,917)	(49,364)
Interest paid on bank loans	15	(221)	-
Interest paid on swaps	15	(10,363)	(7,534)
Financing fees paid		(1,629)	-
Settlements on derivative financial instruments		-	637
Net cash generated by financing activities		194,314	17,210
Net movement in cash and cash equivalents		(961)	(145)
Cash and cash equivalents at beginning of the period		1,461	645
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 2020

	Note	Share capital £'000	Hedging reserve £'000	Accumulated deficit £'000	Total equity £'000
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		-	(22,455)	-	(22,455)
Realised gain on cash flow hedges to property, plant and equipment		-	399	-	399
Realised gain on cash flow hedge released to Income statement		-	238	-	238
Tax credit on changes in effective portion of changes in fair value of cash flow		-	3,710	-	3,710
Total comprehensive expense		-	(18,108)	(1,969)	(20,077)
Balance at 30 June 2019	16	50	(39,469)	(109,028)	(148,447)
Balance at 1 January 2020	16	50	(43,822)	(104,190)	(147,962)
Loss for the period		-	-	(3,009)	(3,009)
Effective portion of changes in fair value of cash flow hedges	11	-	(56,135)	-	(56,135)
Realised gain on cash flow hedge released to fellow group companies	11	-	41	-	41
Realised gain on cash flow hedge released to Income statement	11	-	556	-	556
Tax credit on changes in effective portion of changes in fair value of cash flow hedges	9	-	11,608	-	11,608
Total comprehensive expense		-	(43,930)	(3,009)	(46,939)
Balance at 30 June 2020	16	50	(87,752)	(107,199)	(194,901)

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2020

1 General information

Eversholt Funding plc (the “Company”) is a public 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 2019. 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 2019.

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.

In reaching this conclusion, the Directors have considered the extraordinary circumstances brought about by the COVID-19 crisis and the potential impacts upon the Company and its ability to meet commitments in the foreseeable future. The Company is exposed to the impacts of COVID-19 through its relationships with fellow group undertakings, which are ultimately dependent on the viability of the Group’s rolling stock leasing business. One area of potential impact upon the Group’s business is a threat to the viability of train operators due to long term passenger volume decline. This is largely mitigated in the short term by the UK Government’s Emergency Measures Agreements, through which support is provided to franchised passenger service operators for a period of six months. The Group’s current rolling stock procurement, maintenance and enhancement plans may be subject to delays caused by COVID-19, however this is not considered material in the context of the business. In common with UK businesses generally, the Group’s business is also exposed to other risks including access to capital markets, impacts on supply chains, employee health and access to the workplace. The Group has introduced governance processes to closely monitor the impacts and where possible, mitigation has been put in place to limit the impact on the Group. The Group has access to undrawn borrowing facilities which could be utilised in the event of a prolonged severe period of disruption.

At this stage, the Directors do not believe that there are any material impacts on the Company, nor changes to risk management as described in note 17. The Directors consider the key critical judgement in reaching this conclusion to be the duration of restrictions on travel in response to COVID-19 and the UK Government’s continued support to the rail industry. This conclusion reflects the nature of the Company’s activities and the way in which cash is managed across the Group, enabling the Company to borrow funds from another group undertaking to meet any shortfall. Nevertheless, the Directors continue to keep the pandemic under review.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2020

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 2019.

4 Revenue**4.1 Fee income**

	6 months ended	
	30 June 2020	30 June 2019
	£'000	£'000
Funding services fees charged to Eversholt Rail Limited	8	-
Transaction fees charged to Eversholt Rail Leasing Limited	250	-
	<u>258</u>	<u>-</u>

4.2 Finance income

	6 months ended	
	30 June 2020	30 June 2019
	£'000	£'000
Interest received from Eversholt Rail Limited	58,543	56,993
	<u>58,543</u>	<u>56,993</u>

Finance income represents interest received on amounts due from Eversholt Rail Limited carried at amortised cost.

4.3 Other income

	6 months ended	
	30 June 2020	30 June 2019
	£'000	£'000
Other income	11,354	-
	<u>11,354</u>	<u>-</u>

In June 2020, the Company refinanced existing debt through a new bond issue (see note 14). This is accounted for as a debt modification and not as extinguishment of the original debt and issue of a new bond under IFRS 9 Financial instruments. Accordingly, the carrying value of the existing debt is restated to equal the present value of modified cashflows, giving rise to the gain shown above.

5 Finance expense

	6 months ended	
	30 June 2020	30 June 2019
	£'000	£'000
Interest payable on bank loans	(175)	(40)
Interest payable on bonds	(49,054)	(49,120)
Interest payable to Eversholt Rail Limited	(1,091)	(886)
Finance expense in relation to financial liabilities carried at amortised cost	<u>(50,320)</u>	<u>(50,046)</u>
Transfer from hedging reserve	(556)	(238)
Interest payable on derivative financial instruments	(9,399)	(7,746)
Total	<u>(60,275)</u>	<u>(58,030)</u>

Amounts above include transfers from the hedging reserve, as shown in note 11.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2020

6 Administrative expense

Administrative expense includes:

	6 months ended	
	30 June 2020	30 June 2019
	£'000	£'000
Loss on refinancing of loan to Eversholt Rail Limited	(11,354)	-
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	(42)	(32)

The Company has no employees and hence no staff costs (6 months ended 30 June 2019: nil).

In June 2020, the Company refinanced existing debt through a new bond issue (see note 14). The Company's loans to Eversholt Rail Limited mirror the terms of the Company's external debt. Therefore the impact of the refinancing has also been reflected through the loan to Eversholt Rail Limited. Accordingly this has resulted in an loss that is equal and opposite to the gain recorded on the external refinancing as described in note 4.3.

7 Income tax credit

	Note	6 months ended	
		30 June 2020	30 June 2019
		£'000	£'000
Current tax			
UK Corporation tax on current period profit		(319)	(248)
Deferred tax			
Origination and reversal of temporary differences	9	(895)	(209)
Change in tax rates	9	(2,169)	<u>22</u>
Income tax credit		<u>(3,383)</u>	<u>(435)</u>

Corporation and deferred taxes have been calculated by reference to the current tax rate of 19%. A reduction to 17% was due to take effect from April 2020 and this had been reflected in arriving at deferred tax balances at 31 December 2019. However, the reduction was reversed by the UK Government and the change substantively enacted on 17 March 2020. This has led to the tax credit attributable to "change in tax rates" shown in the above analysis.

The following table reconciles the tax credit that would apply if all profits and losses had been taxed at the UK corporation tax rate:

	6 months ended	
	30 June 2020	30 June 2019
	£'000	£'000
Loss before tax	(6,392)	(2,404)
Taxation at corporation tax rate of 19% (2019: 19%)	(1,214)	(457)
Change in tax rates	(2,169)	<u>22</u>
Income tax credit	<u>(3,383)</u>	<u>(435)</u>

8 Dividends

For the period ended 30 June 2020 no dividend has been paid or declared (6 months ended 30 June 2019: £nil).

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2020

9 Deferred tax asset

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

	Total £'000
At 1 January 2019	23,687
Charge to income statement	(974)
Credit to other comprehensive income	4,600
Effect of change in tax rate:	
- Income statement	102
At 31 December 2019	<u>27,415</u>
Credit to income statement	895
Credit to other comprehensive income	11,608
Effect of change in tax rate:	
- Income statement	2,169
At 30 June 2020	<u>42,087</u>

The deferred tax asset is considered recoverable on the basis that there will be future taxable profits in other group entities against which the deductible temporary differences will be utilised.

10 Amounts owed by/(to) group undertakings

	30 June 2020 £'000	31 December 2019 £'000
Current assets		
Intercompany accrued interest	21,293	22,249
Eversholt Rail Limited	<u>300,000</u>	<u>385,000</u>
	<u>321,293</u>	<u>407,249</u>
Non-current assets		
Eversholt Rail Limited	<u>1,968,695</u>	<u>1,640,000</u>
	<u>2,289,988</u>	<u>2,047,249</u>

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	<u>(33,676)</u>	<u>(31,533)</u>
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The intercompany loan from 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 2019: Group's senior debt, plus margin).

In preparing the Statement of cash flows, the amounts due from Eversholt Rail Limited have been presented as a "cash flow of investing activities". In the 2019 Interim Financial Statements, such amounts were presented as "cash flow from financing activities" and hence the current period's comparative has been restated.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2020

11 Derivative financial instruments**30 June 2020**

	Notional Amount	Fair Value Amount	Change in fair value used for calculating hedge ineffectiveness
	£'000	£'000	£'000
Non-current assets			
Interest rate swap contracts	294,234	57,658	-
Current assets			
Interest rate swap contracts	<u>300,000</u>	<u>229</u>	<u>-</u>
Non-current liabilities			
Interest rate swap contracts	541,734	(160,795)	-
Interest rate swap contracts – hedge accounted	<u>600,000</u>	<u>(107,613)</u>	<u>(57,997)</u>
	<u>1,141,734</u>	<u>(268,408)</u>	<u>(57,997)</u>
Total derivative financial instruments	<u>1,735,968</u>	<u>(210,521)</u>	<u>(57,997)</u>

31 December 2019

	Notional Amount	Fair Value Amount	Change in fair value used for calculating hedge ineffectiveness
	£'000	£'000	£'000
Non-current assets			
Interest rate swap contracts	292,010	21,821	-
Current Liabilities			
Interest rate swap contracts	<u>300,000</u>	<u>(286)</u>	<u>-</u>
Non-current liabilities			
Interest rate swap contracts	539,507	(121,597)	-
Interest rate swap contracts – hedge accounted	<u>300,000</u>	<u>(49,616)</u>	<u>(29,304)</u>
	<u>839,507</u>	<u>(171,213)</u>	<u>(29,304)</u>
Total derivative financial instruments	<u>1,431,517</u>	<u>(149,678)</u>	<u>(29,304)</u>

The fair value of derivative financial instruments is based on market rates on 30 June 2020.

The increase in the notional amount of hedge accounted interest rate swap contracts in the period reflects derivatives that were entered into to offset existing hedges of future interest costs that have been mitigated through the new bond issue in June 2020 (Note 14).

As at 30 June 2020, the Company's hedge accounted swaps were deemed to be highly effective and the fair value liability associated to these interest rate swaps was £107,613,000 (31 December 2019: £49,616,000).

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2020

11 Derivative financial instruments (continued)

Hedge ineffectiveness loss of £1,834,000 (6 months ended 30 June 2019: £357,000 loss) comprised the difference between the change in the fair value of the:

- Hedged item used as a basis of recognising hedge ineffectiveness gain of £56,163,000 (6 months ended 30 June 2019: £22,455,000 gain); and
- Interest rates swaps used as a basis of recognising hedge ineffectiveness of a loss of £57,997,000 (6 months ended 30 June 2019: £22,812,000 loss).

Hedge ineffectiveness can be attributed to where actual funding profiles were different to those originally expected.

The hedging instruments are expected to mature with the following profile:

Maturity	30 June 2020 Notional value £'000	31 December 2019 Notional value £'000
Within 1 year	300,000	300,000
1 to 5 years	-	-
More than 5 years	1,435,968	1,131,517

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

Movement of fair value in Derivative financial instruments

	Not hedge accounted £'000	Current hedge accounted £'000	Total £'000
Balance as at 1 January 2020	(100,062)	(49,616)	(149,678)
Unrealised loss through the income statement			
- ineffective	-	(1,834)	(1,834)
- Other	(2,874)	-	(2,874)
	<u>(2,874)</u>	<u>(1,834)</u>	<u>(4,708)</u>
Unrealised loss through other comprehensive income	-	(56,135)	(56,135)
Balance as at 30 June 2020	<u>(102,936)</u>	<u>(107,585)</u>	<u>(210,521)</u>
Balance as at 1 January 2019	(106,144)	(20,312)	(126,456)
Unrealised gain/(loss) through the income statement			
- ineffective	-	(954)	(954)
- Other	6,082	-	6,082
	<u>6,082</u>	<u>(954)</u>	<u>5,128</u>
Unrealised loss through other comprehensive income	-	(28,350)	(28,350)
Balance as at 31 December 2019	<u>(100,062)</u>	<u>(49,616)</u>	<u>(149,678)</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2020

11 Derivative financial instruments (continued)**Movement in Hedging reserve**

	Current hedge accounted £'000	Terminated hedge accounted £'000	Total £'000
Balance as at 1 January 2020	39,948	3,874	43,822
Unrealised loss through other comprehensive income	56,135	-	56,135
Realised gain on cash flow hedges to fellow group undertaking	-	(41)	(41)
Release to the income statement	-	(556)	(556)
Transfer*	(98,500)	98,500	-
Income tax on other comprehensive income	7,087	(18,695)	(11,608)
Balance as at 30 June 2020	4,670	83,082	87,752
Balance as at 1 January 2019	16,418	4,943	21,361
Unrealised loss through other comprehensive income	28,350	-	28,350
Realised gain on cash flow hedges to fellow group undertaking	-	(579)	(579)
Release to the income statement	-	(710)	(710)
Income tax on other comprehensive income	(4,820)	220	(4,600)
Balance as at 31 December 2019	39,948	3,874	43,822

*Transfer relates to the termination of a hedge relationship in June 2020. The hedged item, being forecast fixed interest costs, is still expected to arise and therefore related amounts have been reclassified accordingly. The gross amount transferred is £98,500,000 and related deferred tax is £18,715,000.

Cumulative unrealised losses of £83,082,000 (31 December 2019: £3,874,000) relating to terminated interest rate swaps that were part of a hedge accounting relationship, remain in the hedging reserve and will be recognised in the Income statement in future years.

At 30 June 2020 the Company held interest rate swaps with a fair value of £102,936,000 liability (31 December 2019: £100,062,000 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 2019: £nil) on the basis that the Group is not in default and is not forecast to be in default or repay bonds early.

Replacement of LIBOR as an interest rate benchmark

It is anticipated that LIBOR will be replaced or discontinued after the end of 2021, as part of global financial regulators' project to reform interest rate benchmarks. The Company will therefore re-negotiate and/or otherwise amend to accommodate such change in benchmarks, where related instruments mature after 2021.

12 Cash and cash equivalents

Cash and cash equivalents are analysed as:

	30 June 2020 £'000	31 December 2019 £'000
Bank balances	<u>500</u>	<u>1,461</u>

£500,000 (31 December 2019: £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.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2020

13 Trade and other payables

	30 June 2020 £'000	31 December 2019 £'000
Fees and other payables accrued	<u>726</u>	<u>22</u>

Included within the £726,000 there are £700,000 of accrued financing fees. These are excluded from the movement in "trade and other payables" in the statement of cashflows.

14 Borrowings

	30 June 2020 £'000	31 December 2019 £'000
Current		
Interest accrued	21,337	23,210
Bank Loan	-	85,000
Bonds	300,000	300,000
Transaction costs	(616)	(631)
	<u>320,721</u>	<u>407,579</u>
Non-current		
Bonds	1,968,695	1,640,000
Transaction costs	(6,112)	(4,390)
	<u>1,962,583</u>	<u>1,635,610</u>
	<u>2,283,304</u>	<u>2,043,189</u>

Bond principal amount	Due date	Interest rate Semi-annual coupon
£300m	2020	5.831%
£271m*	2025	6.359%
£400m	2021-2035	6.697%
£100m	2028-2036	LIBOR+margin
£90m	2030	Fixed rate
£50m	2028-2036	Fixed rate
£100m	2026-2031	Fixed rate
£100m	2037	Fixed rate
£400m	2034-2042	3.529%
£500m*	2021-2040	2.742%

None of the Bonds are puttable.

*The above table includes new bond issuance of £500m in June 2020, of which £159.7m was used to repay £128.7m of the £400m bonds otherwise maturing in 2025 ("2025 Debt"). The bond principal amount therefore reduced to £271.3m as at 30 June 2020.

The part repayment has been accounted for as a debt modification and not as an extinguishment of the original debt and issue of new debt. This is on the basis that the terms of the debt have not substantially changed, which resulted in an overall gain of £11.4m as outlined in note 4.3.

In accordance with IFRS9, the carrying value of that portion of the new debt used to part-settle the 2025 Debt has been restated to equal the present value of the cashflows relating to the that portion of the new debt. The revised cashflows are discounted at the effective interest rate associated with the original 2025 Debt which equates to a carrying value of £117.3m included in non-current borrowings above.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2020

14 Borrowings (continued)

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 2020 and earlier periods.

The Security Group has granted a fixed and floating charge over all of its assets to secure this financing.

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 2020 was as follows:

	30 June 2020 £'000	31 December 2019 £'000
In more than one year but not more than two years	39,927	14,286
In more than two years but not more than five years	216,850	85,714
In more than five years	1,711,918	1,540,000
	<u>1,968,695</u>	<u>1,640,000</u>

15 Reconciliation of assets & liabilities arising from investing and financing activities

30 June 2020	As at 31 December 2019 £'000	Non-cash finance expense /(income) £'000	Cash Flows receipts/ (payments) £'000	As at 30 June 2020 £'000
Financing activities attributable to:				
Liabilities				
Eversholt Rail Limited	31,533	1,050 *	1,093	33,676
Bond interest accrued	20,298	49,054	(49,917)	19,435
Swap interest accrued	2,866	9,399	(10,363)	1,902
Bank loan interest accrued	46	175	(221)	-
Bonds	1,940,000	(11,656)**	340,351	2,268,695
Bank Loan	85,000	-	(85,000)	-
	<u>2,079,743</u>	<u>48,022</u>	<u>195,943</u>	<u>2,323,708</u>
Assets				
Eversholt Rail Limited interest accrued	(22,249)	(58,543)	59,499	(21,293)
Eversholt Rail Limited loan	(2,025,000)	11,354***	(255,049)	(2,268,695)
	<u>(2,047,249)</u>	<u>(47,189)</u>	<u>(195,550)</u>	<u>(2,289,988)</u>

*Includes realised gain on cash flow hedges to fellow group companies transferred from hedging reserve

**This relates to the refinancing gain described in note 4.3, adjusted for capitalised transaction costs expensed as part of the transaction.

*** This relates to the refinancing loss described in note 6

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2020

15 Reconciliation of assets & liabilities arising from investing and financing activities (continued)

30 June 2019

	As at 31 December 2018 £'000	Non-cash finance expense/ (income) £'000	Cash Flows (payments)/ receipts £'000	As at 30 June 2019 £'000
Financing activities attributable to:				
Liabilities				
Eversholt Rail Limited	32,401	1,124	(1,529)	31,996
Bank interest accrued	-	40	-	40
Bond interest accrued	20,427	49,120	(49,364)	20,183
Swap Interest accrued	839	7,746	(7,534)	1,051
Bonds	1,940,000	-	-	1,940,000
Bank Loan	-	-	75,000	75,000
	<u>1,993,667</u>	<u>58,030</u>	<u>16,573</u>	<u>2,068,270</u>
Assets				
Eversholt Rail Limited	-	-	(75,000)	(75,000)
Eversholt Rail Limited accrued interest	(21,266)	(56,993)	56,985	(21,274)
	<u>(21,266)</u>	<u>(56,993)</u>	<u>(18,015)</u>	<u>(96,274)</u>

16 Share capital

	30 June 2020 £'000	31 December 2019 £'000
Authorised, allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	<u>50</u>	<u>50</u>

The holders of ordinary shares are entitled to attend and vote at general meetings and receive dividends as and when declared.

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 2019 annual financial statements. In addition, there are risks associated with the COVID-19 crisis, details of which are considered in note 2.2 "Going concern".

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

Undiscounted cash flows in respect of the intercompany loan from Eversholt Rail Limited include the principal amount loans only, due to the uncertainty of intercompany movements and of interest estimation. Interest on intercompany loans is settled as part of intercompany cash movements.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2020

17 Risk management (continued)

30 June 2020	Carrying value £'000	Contractual cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
Financial assets						
Fair value through profit and loss						
Derivative financial instruments	57,886	8,174	-	5,711	16,390	(13,927)
Amortised cost						
Amounts owed by group undertakings	2,289,988	3,213,725	-	407,482	540,820	2,265,423
Cash and cash equivalents	500	500	-	-	-	500
Trade and other receivables	107	107	-	107	-	-
Total Financial assets	2,348,481	3,222,506	-	413,300	557,210	2,251,996
Financial liabilities						
Fair value through profit or loss						
Derivative financial instruments	268,408	227,934	-	25,187	85,757	116,990
Amortised cost						
Amount owed to group undertakings	33,676	33,676	-	-	33,676	-
Borrowings	2,290,032	3,213,725	-	407,482	540,820	2,265,423
Trade and other payables	726	726	-	726	-	-
Total Financial liabilities	2,592,842	3,476,061	-	433,395	660,253	2,382,413
Total Financial Instruments	(244,361)	(253,555)	-	(20,095)	(103,043)	(130,417)
31 December 2019						
	Carrying value £'000	Contractual cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
Financial assets						
Fair value through profit or loss						
Derivative financial instruments	21,821	7,135	-	1,824	3,731	1,580
Amortised cost						
Amounts owed by group undertakings	2,047,249	3,136,324	-	506,479	417,685	2,212,160
Cash and cash equivalents	1,461	1,461	961	-	-	500
Trade and other receivables	10	10	-	10	-	-
Total Financial assets	2,070,541	3,144,930	961	508,313	421,416	2,214,240
Financial liabilities						
Fair value through profit or loss						
Derivative financial instruments	171,499	192,442	-	21,143	67,321	103,978
Amortised cost						
Borrowings	2,048,210	3,136,324	-	506,479	417,685	2,212,160
Amount owed to group undertakings	31,533	31,533	-	-	31,533	-
Trade and other payables	22	22	-	22	-	-
Total Financial liabilities	2,251,264	3,360,321	-	527,644	516,539	2,316,138
Total Financial Instruments	(180,723)	(215,391)	961	(19,331)	(95,123)	(101,898)

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2020

18 Financial instruments

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

30 June 2020	Note	Carrying amount £'000	Fair value		
			Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets					
Fair value through profit or loss					
Derivative financial instruments	11	57,886		57,886	
Amortised cost					
Amounts owed by group undertakings					
Intercompany loan receivables*	10	1,828,695		2,092,854	
Intercompany loan receivables (fixed)**	10	340,000		377,065	
Intercompany loan receivables (other)	10	121,293			
Cash and cash equivalents	12	500			
Trade and other receivables		107			
Total Financial assets		2,348,481			
Financial liabilities					
Fair value through profit or loss					
Derivative financial instruments	11	268,408		268,408	
Amortised cost					
Publicly traded bonds	14	1,822,011	2,092,854		
Fixed rate borrowings	14	340,000		377,065	
Other borrowings	14	128,021			
Intercompany loan	10	33,676			
Trade and other payables	13	726			
Total Financial liabilities		2,592,842			
Total Financial instruments		(244,361)			
31 December 2019	Note	Carrying amount £'000	Level 1 £'000	Fair value Level 2 £'000	Level 3 £'000
Financial assets					
Fair value through profit or loss					
Derivative financial instruments	11	21,821		21,821	
Amortised cost					
Amounts owed by group undertakings					
Intercompany loan receivables*	10	1,500,000		1,745,034	
Intercompany loan receivables (fixed)**	10	340,000		372,317	
Intercompany loan receivables (other)	10	207,249			
Cash and cash equivalents	12	1,461			
Trade and other receivables		10			
Total Financial assets		2,070,541			

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2020

18 Financial instruments (continued)

31 December 2019 (continued)	Note	Carrying amount £'000	Level 1 £'000	Fair value Level 2 £'000	Level 3 £'000
Financial liabilities					
Fair value through profit or loss					
Derivative financial instruments	11	171,499		171,499	
Amortised cost					
Publicly traded bonds	14	1,500,000	1,745,034		
Fixed rate borrowings	14	340,000		372,317	
Other borrowings	14	208,210			
Intercompany loan	10	31,533			
Trade and other payables	13	<u>22</u>			
Total Financial liabilities		<u>2,251,264</u>			
Total Financial instruments		<u>(180,723)</u>			

*Terms mirror bonds issued.

**Terms mirror fixed private placements.

19 Fair value of financial assets and liabilities

There are no material differences between the carrying value and the fair value of other financial assets and liabilities as at 30 June 2020 (31 December 2019: £nil).

20 Related party transactions**20.1 Identity of related parties**

The Company has a related party relationship with its directors and with its fellow group undertakings of 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 (dissolved on 4 February 2020)
- Eversholt Finance Holdings Limited
- Eversholt Rail Limited
- Eversholt Depot Finance Limited
- Eversholt Rail (365) Limited (prior to 19 August 2019)
- European Rail Finance (2) Limited
-

The Company has been informed by the former ultimate parent and controlling party, CK Hutchison Holdings Limited ("CKHH"), incorporated in the Cayman Islands, that by virtue of contractual arrangements entered into with other parties, with effect from 30 December 2019, it ceased to have a controlling interest in the Company and, as required by the applicable accounting standards, it has ceased accounting for the Company as a subsidiary from that date.

The results of the Company before 30 December 2019 are consolidated in the consolidated financial statements of CKHH. The Directors of the Company consider CKHH was the ultimate parent and controlling party prior to 30 December 2019.

In light of the above, the Directors of the Company consider the ultimate parent and controlling party from 30 December 2019 to be UK Rails S.A.R.L. incorporated in Luxembourg.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2020

20 Related party transactions (continued)

20.2 Transactions with related parties

The company has loan accounts with fellow subsidiaries which are more fully described in note 10 and 14. Interest on these accounts is more fully described in notes 4 and 5.

During the 6 months ended 30 June 2020 the Company received management fees of £8,000 from Eversholt Rail Limited (6 months ended 30 June 2019: £8,000)

The Company charged transaction fees to Eversholt Rail Leasing Limited of £250,000 (6 months ended 30 June 2019: £nil).

The Company transferred borrowing related transaction costs of £320,000 (6 months ended 30 June 2019: £321,000) to Eversholt Rail Leasing Limited.

21 Contingent liabilities

There were no contingent liabilities for the Company at 30 June 2020 and at 31 December 2019.

22 Subsequent events

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