

# **Eversholt Rail Leasing Limited**

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

**Registered No: 02720809**

**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        |                       |
|---|------|-----------------------|-----------------------|
|   | Note | 30 June 2020<br>£'000 | 30 June 2019<br>£'000 |
| <b>Revenue</b>  |      |                       |                       |
| Operating lease income                                  | 4    | 234,712               | 205,746               |
| Other income  | 4    | 1,469                 | 4,897                 |
| <b>Total revenue</b>                                    |      | <u>236,181</u>        | <u>210,643</u>        |
| Cost of sales   | 5    | (130,713)             | (113,296)             |
| <b>Gross Profit</b>                                     |      | <u>105,468</u>        | <u>97,347</u>         |
| Finance expense   | 6    | (62,489)              | (57,619)              |
| Net fair value gain on derivative financial instruments | 20   | 2                     | 355                   |
| Administrative expense                                  | 7    | (10,588)              | (8,788)               |
| Loss on disposal of property, plant and equipment       |      | (18)                  | (1,892)               |
| <b>Profit before tax</b>                                |      | <u>32,375</u>         | <u>29,403</u>         |
| Income tax charge                                       | 9    | (14,817)              | (9,755)               |
| <b>Profit for the period</b>                            |      | <u>17,558</u>         | <u>19,648</u>         |

There were no discontinued or discontinuing operations during the period.

The notes on pages 6 to 18 form an integral part of these financial statements.

**Condensed statement of other comprehensive income**

for the 6 months ended 30 June 2020

|   |      | 6 months ended        |                       |
|---|------|-----------------------|-----------------------|
|   | Note | 30 June 2020<br>£'000 | 30 June 2019<br>£'000 |
| Profit for the period   |      | 17,558                | 19,648                |
| <b>Other comprehensive income/(expense)</b>   |      |                       |                       |
| Effective portion of changes in fair value of cash flow hedges                          | 20   | 594                   | (17,219)              |
| Revaluation of EUR cash deposits  | 20   | (2,270)               | -                     |
| Realised loss on cash flow hedges to property, plant and equipment                      | 20   | (995)                 | (682)                 |
| Tax credit on changes in effective portion of changes in fair value of cash flow hedges | 20   | 692                   | 3,044                 |
|   |      | <u>(1,979)</u>        | <u>(14,857)</u>       |
| <b>Total comprehensive income for the period</b>  |      | <u>15,579</u>         | <u>4,791</u>          |

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

|                                     |             | 30 June<br>2020<br>£'000 | 31 December<br>2019<br>£'000 |
|-------------------------------------|-------------|--------------------------|------------------------------|
| <b>Assets</b>                       | <b>Note</b> |                          |                              |
| <b>Non-current assets</b>           |             |                          |                              |
| Property, plant and equipment       | 12          | 2,568,190                | 2,609,286                    |
| Investments in subsidiaries         | 11          | 149,319                  | 149,319                      |
|                                     |             | <u>2,717,509</u>         | <u>2,758,605</u>             |
| <b>Current assets</b>               |             |                          |                              |
| Trade and other receivables         | 13          | 3,023                    | 6,819                        |
| Current tax                         |             | -                        | 4,112                        |
| Cash and cash equivalents           | 14          | 26,351                   | 52,059                       |
| Derivative financial instruments    | 20          | 138                      | -                            |
|                                     |             | <u>29,512</u>            | <u>62,990</u>                |
| <b>Total assets</b>                 |             | <u>2,747,021</u>         | <u>2,821,595</u>             |
| <b>Liabilities and equity</b>       |             |                          |                              |
| <b>Current liabilities</b>          |             |                          |                              |
| Trade and other payables            | 15          | 39,911                   | 24,741                       |
| Current tax                         |             | 4,703                    | -                            |
| Derivative financial instruments    | 20          | -                        | 458                          |
| Other liabilities                   | 16          | 16,474                   | 5,624                        |
| Borrowings                          | 17          | 60,905                   | 59,429                       |
|                                     |             | <u>121,993</u>           | <u>90,252</u>                |
| <b>Non-current liabilities</b>      |             |                          |                              |
| Other liabilities                   | 16          | 98,493                   | 124,740                      |
| Borrowings                          | 17          | 2,339,838                | 2,440,795                    |
| Deferred tax                        | 19          | 77,162                   | 71,852                       |
|                                     |             | <u>2,515,493</u>         | <u>2,637,387</u>             |
| <b>Total liabilities</b>            |             | <u>2,637,486</u>         | <u>2,727,639</u>             |
| <b>Equity</b>                       |             |                          |                              |
| Share capital                       | 21          | 50,000                   | 50,000                       |
| Hedging reserve                     | 20          | (9,649)                  | (7,670)                      |
| Retained earnings                   |             | 69,184                   | 51,626                       |
| <b>Total equity</b>                 |             | <u>109,535</u>           | <u>93,956</u>                |
| <b>Total equity and liabilities</b> |             | <u>2,747,021</u>         | <u>2,821,595</u>             |

The notes on pages 6 to 18 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 02720809

**Condensed statement of cash flows**

for the 6 months ended 30 June 2020

|   | Note | 6 months ended        |                       |
|---|------|-----------------------|-----------------------|
|   |      | 30 June 2020<br>£'000 | 30 June 2019<br>£'000 |
| <b>Cash flow from operating activities</b>                      |      |                       |                       |
| Profit before tax   |      | 32,375                | 29,403                |
| Adjustments for:  |      |                       |                       |
| - Depreciation charge   | 5    | 93,665                | 79,070                |
| - Finance expense   | 6    | 62,489                | 57,619                |
| - Loss on disposal of property, plant and equipment             |      | 18                    | 1,892                 |
| - Gain on fair value of derivative financial instruments        | 20   | (2)                   | (355)                 |
| <b>Operating cash flow before changes in working capital</b>    |      | <b>188,545</b>        | 167,629               |
| Decrease/(Increase) in trade and other receivables              | 13   | 3,796                 | (6,813)               |
| (Decrease)/Increase in other liabilities                        | 16   | (15,397)              | 21,785                |
| Increase/(decrease) in trade and other payables                 | 15   | 15,170                | (18,116)              |
| <b>Cash generated by operating activities</b>                   |      | <b>192,114</b>        | 164,485               |
| Receipt in respect of group relief                              |      | -                     | 3,173                 |
| <b>Net cash generated by operating activities</b>               |      | <b>192,114</b>        | 167,658               |
| <b>Cash flow from investing activities</b>                      |      |                       |                       |
| Acquisition of property, plant and equipment                    | 12   | (53,507)              | (216,429)             |
| Cost of disposal of property, plant and equipment               | 12   | (18)                  | 187                   |
| <b>Net cash utilised in investing activities</b>                |      | <b>(53,525)</b>       | (216,242)             |
| <b>Cash flow from financing activities</b>                      |      |                       |                       |
| Investment in short-term bank deposits                          |      | -                     | (95,093)              |
| Loan repaid to Eversholt Rail Limited                           | 18   | (59,380)              | (59,380)              |
| Finance expense paid  | 6    | (1,420)               | (1,742)               |
| Movement in intercompany loan with Eversholt Rail Limited       | 18   | (101,227)             | 191,447               |
| <b>Net cash (utilised in)/generated by financing activities</b> |      | <b>(162,027)</b>      | 35,232                |
| <b>Net movement in cash and cash equivalents</b>                |      | <b>(23,438)</b>       | (13,352)              |
| Net foreign exchange difference                                 | 20   | (2,270)               | -                     |
| Cash and cash equivalents at the beginning of the period        |      | 52,059                | 50,371                |
| <b>Cash and cash equivalents at the end of the period</b>       | 14   | <b>26,351</b>         | 37,019                |

**Condensed statement of changes in equity**

for the 6 months ended 30 June 2020

|  | <i>Note</i>  | <b>Share capital</b> | <b>Hedging reserve</b> | <b>Retained earnings</b> | <b>Total equity</b>   |
|--|--------------|----------------------|------------------------|--------------------------|-----------------------|
|  |              | <b>£'000</b>         | <b>£'000</b>           | <b>£'000</b>             | <b>£'000</b>          |
| <b>Balance at 1 January 2019</b>                                   | <i>21</i>    | 50,000               | 22,059                 | 20,439                   | 92,498                |
| Profit for the period  |              | -                    | -                      | 19,648                   | 19,648                |
| Effective portion of changes in fair value of cash flow hedges     | <i>20</i>    | -                    | (17,219)               | -                        | (17,219)              |
| Revaluation of EUR cash balances                                   | <i>20</i>    | -                    | -                      | -                        | -                     |
| Realised loss on cash flow hedges                                  | <i>20</i>    | -                    | (682)                  | -                        | (682)                 |
| Property, plant and equipment                                      |              |                      |                        |                          |                       |
| Income tax credit on other comprehensive income                    | <i>19</i>    | -                    | 3,044                  | -                        | 3,044                 |
| <b>Total comprehensive (expense)/income</b>                        |              | -                    | (14,857)               | 19,648                   | 4,791                 |
| <b>Balance at 30 June 2019</b>                                     |              | <u>50,000</u>        | <u>7,202</u>           | <u>40,087</u>            | <u>97,289</u>         |
| <b>Balance at 1 January 2020</b>                                   | <i>21</i>    | <b>50,000</b>        | <b>(7,670)</b>         | <b>51,626</b>            | <b>93,956</b>         |
| Profit for the period  |              | -                    | -                      | 17,558                   | 17,558                |
| Effective portion of changes in fair value of cash flow hedges     | <i>20</i>    | -                    | 594                    | -                        | 594                   |
| Revaluation of EUR cash balances                                   | <i>20</i>    | -                    | (2,270)                | -                        | (2,270)               |
| Realised loss on cash flow hedges to Property, plant and equipment | <i>20</i>    | -                    | (995)                  | -                        | (995)                 |
| Income tax credit on other comprehensive expense                   | <i>19,20</i> | -                    | 692                    | -                        | 692                   |
| <b>Total comprehensive (expense)/income</b>                        |              | -                    | (1,979)                | 17,558                   | 15,579                |
| <b>Balance at 30 June 2020</b>                                     | <i>21</i>    | <u><b>50,000</b></u> | <u><b>(9,649)</b></u>  | <u><b>69,184</b></u>     | <u><b>109,535</b></u> |

No dividends were paid in the 6 months ended 30 June 2020 (6 months ended 30 June 2019: £nil)

## Notes to the condensed interim financial statements

for the 6 months ended 30 June 2020

### 1 General information

Eversholt Rail Leasing Limited (the “Company”) is a private company incorporated in England and Wales 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 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 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.

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 23. 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 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 2020   | 30 June 2019   |
|                               | £'000          | £'000          |
| Operating lease rental income | 234,712        | 205,746        |
| Other income                  | 1,469          | 4,897          |
|                               | <u>236,181</u> | <u>210,643</u> |

**5 Cost of sales**

|                  | 6 months ended   |                  |
|------------------|------------------|------------------|
|                  | 30 June 2020     | 30 June 2019     |
|                  | £'000            | £'000            |
| Depreciation     | (93,665)         | (79,070)         |
| Maintenance cost | (37,048)         | (34,226)         |
|                  | <u>(130,713)</u> | <u>(113,296)</u> |

**6 Finance expense**

|  | 6 months ended  |                 |
|--|-----------------|-----------------|
|  | 30 June 2020    | 30 June 2019    |
|  | £'000           | £'000           |
| Interest payable to Eversholt Rail Limited       | (61,069)        | (55,877)        |
| Finance charges payable to Eversholt Funding plc | (320)           | (321)           |
| Bank Interest                                    | -               | (35)            |
| Other Interest                                   | (1,100)         | (1,386)         |
|  | <u>(62,489)</u> | <u>(57,619)</u> |

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

**7 Administrative expense**

Administrative expense includes:

|  | 6 months ended |              |
|--|----------------|--------------|
|  | 30 June 2020   | 30 June 2019 |
|  | £'000          | £'000        |
| Management fees payable to Eversholt Rail Limited  | (10,241)       | (8,713)      |
| Transaction fees payable to Eversholt Funding plc  | (250)          | -            |
| 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).

**8 Directors' emoluments**

The five Directors have been paid by another group undertaking. No specific charge has been made to the Company in this regard.



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

for the 6 months ended 30 June 2020

**9 Income tax charge**

|   | 6 months ended  |                |
|---|-----------------|----------------|
|   | 30 June 2020    | 30 June 2019   |
|   | £'000           | £'000          |
| <b>Current tax</b>                                |                 |                |
| UK Corporation tax on current year profit         | (8,815)         | (6,999)        |
| <b>Deferred tax</b>                               |                 |                |
| Origination and reversal of temporary differences | 2,661           | (3,080)        |
| Change in tax rate                                | (8,663)         | 324            |
|   | <u>(6,002)</u>  | <u>(2,756)</u> |
| <b>Income tax charge</b>                          | <u>(14,817)</u> | <u>(9,755)</u> |

The UK tax rate applying to the profits was 19% (2019: 19%).

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 2020    | 30 June 2019   |
|   | £'000           | £'000          |
| Profit before tax                                   | 32,375          | 29,403         |
| Taxation at corporation tax rate of 19% (2018: 19%) | (6,151)         | (5,586)        |
| Change in tax rate                                  | (8,663)         | 324            |
| Non-deductible expense                              | (3)             | (4,493)        |
| <b>Income tax charge</b>                            | <u>(14,817)</u> | <u>(9,755)</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 £692,000 gain being recognised in total comprehensive income (6 months ended 30 June 2019: £3,044,000 gain).

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 rate" shown in the above analysis.

**10 Dividends**

No dividend was paid to European Rail Finance Holdings Limited in the period ended 30 June 2020 (6 months ended 30 June 2019: £nil).

The Company did not receive any dividend income in the period ended 30 June 2020 (6 months ended 30 June 2019: £nil).

**11 Investments in subsidiaries**

|      | 30 June<br>2020 | 31 December<br>2019 |
|------|-----------------|---------------------|
|      | £'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 2020

**12 Property, plant and equipment**

|                                       | <b>Rolling stock<br/>and other<br/>railway<br/>assets<br/>£'000</b> |
|---------------------------------------|---|
| <b>Cost</b>                           |   |
| <b>Balance at 1 January 2019</b>      | 2,903,322   |
| Additions                             | 404,146   |
| Disposals                             | (52,118)  |
| <b>Balance at 31 December 2019</b>    | <b>3,255,350</b>  |
| Additions                             | 52,569  |
| Disposals                             | -   |
| <b>Balance at 30 June 2020</b>        | <b>3,307,919</b>  |
| <b>Depreciation</b>                   |   |
| <b>Balance at 1 January 2019</b>      | 503,089   |
| Charge for the year                   | 193,012   |
| Disposals                             | (50,037)  |
|                                       | <b>646,064</b>  |
| <b>Balance at 31 December 2019</b>    |   |
| Charge for the period                 | 93,665  |
| Disposals                             | -   |
| <b>Balance at 30 June 2020</b>        | <b>739,729</b>  |
| <b>Carrying Value at 30 June 2020</b> | <b>2,568,190</b>  |
| Carrying Value at 31 December 2019    | 2,609,286   |

The cost of tangible fixed assets at 30 June 2020 includes capitalised interest of £45,154,000 (31 December 2019: £45,097,000). 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 £995,000 (31 December 2019: £11,395,000) and bank loan capitalised interest of £57,000 (31 December 2019: £116,000).

All fixed assets, unless off lease, are subject to operating lease arrangements.

**13 Trade and other receivables**

|                   | <b>30 June<br/>2020<br/>£'000</b> | <b>31 December<br/>2019<br/>£'000</b> |
|-------------------|-----------------------------------|---------------------------------------|
| Trade receivables | <b>3,023</b>                      | <b>6,819</b>                          |

**14 Cash and cash equivalents**

Cash and cash deposits are analysed as:

|               | <b>30 June<br/>2020<br/>£'000</b> | <b>31 December<br/>2019<br/>£'000</b> |
|---------------|-----------------------------------|---------------------------------------|
| Bank accounts | <b>26,351</b>                     | <b>52,059</b>                         |

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

for the 6 months ended 30 June 2020

**15 Trade and other payables**

|                             | <b>30 June<br/>2020<br/>£'000</b> | <b>31 December<br/>2019<br/>£'000</b> |
|-----------------------------|-----------------------------------|---------------------------------------|
| Trade and other payables    | 33,587                            | 471                                   |
| Rentals received in advance | 169                               | 13,751                                |
| Accruals                    | <u>6,155</u>                      | <u>10,519</u>                         |
|                             | <u><b>39,911</b></u>              | <u><b>24,741</b></u>                  |

**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:

|             | <b>30 June<br/>2020<br/>£'000</b> | <b>31 December<br/>2019<br/>£'000</b> |
|-------------|-----------------------------------|---------------------------------------|
| Current     | <u>16,474</u>                     | <u>5,624</u>                          |
| Non-current | <u>98,493</u>                     | <u>124,740</u>                        |

**17 Borrowings**

|  | <b>30 June<br/>2020<br/>£'000</b> | <b>31 December<br/>2019<br/>£'000</b> |
|--|-----------------------------------|---------------------------------------|
| <b>Current</b>                             |                                   |                                       |
| Eversholt Rail Limited (term loan)         | <u>60,905</u>                     | <u>59,429</u>                         |
| <b>Non-current</b>                         |                                   |                                       |
| Eversholt Rail Limited (term loan)         | 1,291,335                         | 1,322,361                             |
| Eversholt Rail Limited (intercompany loan) | 1,042,447                         | 1,112,435                             |
| Bank loan                                  | <u>6,056</u>                      | <u>5,999</u>                          |
|  | <u><b>2,339,838</b></u>           | <u><b>2,440,795</b></u>               |

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 2019: Group's senior debt, plus margin).

The bank loan is classified as non-current as it is repayable in July 2021. Interest on the loan is payable on a six-monthly basis at a floating rate of LIBOR (31 December 2019: 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.

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.

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

for the 6 months ended 30 June 2020

**17 Borrowings (continued)****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<br>2020<br>£'000 | 31 December<br>2019<br>£'000 |
|---|--------------------------|------------------------------|
| In more than one year but not more than two years   | 63,640                   | 68,267                       |
| In more than two years but not more than five years | 1,256,941                | 1,316,383                    |
| In more than five years                             | 1,019,257                | 1,056,145                    |
|   | <u>2,339,838</u>         | <u>2,440,795</u>             |

**18 Reconciliation of liabilities arising from financing activities****30 June 2020**

|                                       | As at 31<br>December<br>2019<br>£'000 | Cash Flows<br>(payments)/<br>receipts<br>£'000 | Non-cash<br>finance<br>expense<br>£'000 | As at 30<br>June 2020<br>£'000 |
|---------------------------------------|---------------------------------------|--|---|--------------------------------|
| Financing activities attributable to: |                                       |  |   |                                |
| Eversholt Rail Limited (term Loan)    | 1,381,790                             | (59,380)                                       | 29,830                                  | 1,352,240                      |
| Eversholt Rail Limited                | 1,112,435                             | (101,227)                                      | 31,239                                  | 1,042,447                      |
| Bank Loan                             | 5,999                                 | -  | 57*                                     | 6,056                          |
|                                       | <u>2,500,224</u>                      | <u>(160,607)</u>                               | <u>61,126</u>                           | <u>2,400,743</u>               |

\* £56,629 (30 June 2019: £60,573) relates to capitalised interest transferred to Property, plant and equipment (see note 12).

**30 June 2019**

|                                       | As at 31<br>December<br>2018<br>£'000 | Cash Flows<br>(payments)/<br>receipts<br>£'000 | Non-cash<br>finance<br>expense<br>£'000 | As at 30<br>June 2019<br>£'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                          |
|                                       | <u>2,309,806</u>                      | <u>132,067</u>                                 | <u>55,938</u>                           | <u>2,497,811</u>               |

**19 Deferred tax**

The following is the analysis of the deferred tax balances

|                          | 30 June<br>2020<br>£'000 | 31 December<br>2019<br>£'000 |
|--------------------------|--------------------------|------------------------------|
| Deferred tax liabilities | <u>77,162</u>            | <u>71,852</u>                |

The following are the major deferred tax liabilities/(assets) recognised by the Company and movements thereon during the current and prior reporting periods:

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

for the 6 months ended 30 June 2020

**19 Deferred tax liability (continued)**

|                                      | Capital<br>Allowances<br>£'000 | Fair value on<br>derivatives<br>£'000 | Prior year<br>adjustments<br>£'000 | Total<br>£'000 |
|--------------------------------------|--------------------------------|---------------------------------------|------------------------------------|----------------|
| <b>At 1 January 2019</b>             | 80,279                         | (5,954)                               | 4,509                              | 78,834         |
| (Credit)/charge to income statement  | (3,391)                        | 4,340                                 | -                                  | 949            |
| Credit to other comprehensive income | -                              | -                                     | (6,089)                            | (6,089)        |
| Effect of change in tax rate:        |                                |                                       |                                    |                |
| - Income statement                   | (1,385)                        | (457)                                 | -                                  | (1,842)        |
| <b>At 31 December 2019</b>           | <b>75,503</b>                  | <b>(2,071)</b>                        | <b>(1,580)</b>                     | <b>71,852</b>  |
| Charge to income statement           | (2,661)                        | -                                     | -                                  | (2,661)        |
| Credit to other comprehensive income | -                              | (692)                                 | -                                  | (692)          |
| Effect of change in tax rate:        |                                |                                       |                                    |                |
| - Income statement                   | 8,663                          | -                                     | -                                  | 8,663          |
| <b>At 30 June 2020</b>               | <b>81,505</b>                  | <b>(2,763)</b>                        | <b>(1,580)</b>                     | <b>77,162</b>  |

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 as the amount and timing of the reversal of timing differences giving rise to deferred tax liabilities at the balance sheet date.

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 rate" shown in the above analysis.

**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 2020**

|  | Notional<br>Amount<br>£'000 | Fair value<br>amount<br>£'000 | Change in fair<br>value used for<br>calculating<br>hedge<br>ineffectiveness<br>£'000 |
|--|-----------------------------|-------------------------------|--|
| <b>Current assets</b>                  |                             |                               |  |
| FX forward contracts – hedge accounted | 1,382                       | 138                           | 596  |

**31 December 2019**

|  | Notional<br>Amount<br>£'000 | Fair value<br>amount<br>£'000 | Change in fair<br>value used for<br>calculating<br>hedge<br>ineffectiveness<br>£'000 |
|--|-----------------------------|-------------------------------|--|
| <b>Current liabilities</b>             |                             |                               |  |
| FX forward contracts – hedge accounted | 10,706                      | (458)                         | (21,977)   |

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

for the 6 months ended 30 June 2020

**20 Derivative financial instruments (continued)**

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

The hedging instruments are expected to mature with the following profile

|               | 30 June 2020   | 31-Dec-19      |
|---------------|----------------|----------------|
| Maturity      | Notional Value | Notional Value |
| Within 1 year | 1,382          | 10,706         |

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

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

|  | Current hedge<br>accounted<br>£'000 | Terminated<br>hedge<br>accounted<br>£'000 | Total<br>£'000 |
|--|-------------------------------------|---|----------------|
| <b>Balance at 1 January 2020</b>                                     | (458)                               |   | (458)          |
| Unrealised gain through the income statement – hedge ineffectiveness | 2                                   | -   | 2              |
| Unrealised gain through other comprehensive expense                  | 594                                 | -   | 594            |
| <b>Balance at 30 June 2020</b>                                       | <u>138</u>                          | <u>-</u>                                  | <u>138</u>     |
| <b>Balance at 1 January 2019</b>                                     | 21,519                              | -   | 21,519         |
| Unrealised gain through the income statement – hedge ineffectiveness | 467                                 | -   | 467            |
| Unrealised loss through other comprehensive expense                  | (22,444)                            | -   | (22,444)       |
| <b>Balance at 31 December 2019</b>                                   | <u>(458)</u>                        | <u>-</u>                                  | <u>(458)</u>   |

**Movement in Hedging reserve**

|   | Current hedge<br>accounted<br>£'000 | Terminated<br>hedge<br>accounted<br>£'000 | Total<br>£'000 |
|---|-------------------------------------|---|----------------|
| <b>Balance at 1 January 2020</b>                                    | 7,598                               | 72  | 7,670          |
| Unrealised gain through other comprehensive expense                 | (594)                               | -   | (594)          |
| Revaluation of EUR cash deposits through Other comprehensive income | 2,270                               | -   | 2,270          |
| Release to property, plant & equipment                              | 729                                 | 266                                       | 995            |
| Income tax on other comprehensive expense                           | (640)                               | (52)                                      | (692)          |
| <b>Balance at 30 June 2020</b>                                      | <u>9,363</u>                        | <u>286</u>                                | <u>9,649</u>   |
| <b>Balance at 1 January 2019</b>                                    | (19,549)                            | (2,510)                                   | (22,059)       |
| Unrealised loss through other comprehensive expense                 | 22,444                              | -   | 22,444         |
| Revaluation of EUR cash deposits through Other comprehensive income | 1,979                               | -   | 1,979          |
| Release to property, plant & equipment                              | 8,020                               | 3,375                                     | 11,395         |
| Reallocation adjustment   | 264                                 | (264)                                     | -              |
| Income tax on other comprehensive expense                           | (5,560)                             | (529)                                     | (6,089)        |
| <b>Balance at 31 December 2019</b>                                  | <u>7,598</u>                        | <u>72</u>                                 | <u>7,670</u>   |

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.

As at 30 June 2020, the designated hedges were deemed to be highly effective and the fair value asset of the foreign exchange forward contracts was £138,000 (31 December 2019: liability of £458,000).

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

for the 6 months ended 30 June 2020

**20 Derivative financial instruments (continued)**

Hedge ineffectiveness of £2,000 gain (6 months ended 30 June 2019: £355,000 gain) comprised the difference between the change in the fair value of the:

- hedged item used as a basis of recognising hedge ineffectiveness of £594,000 loss (6 months ended 30 June 2019: £17,219,000 gain); and
- forward foreign exchange contracts used as a basis of recognising hedge ineffectiveness of £596,000 gain (6 months ended 30 June 2019: £16,864,000 loss).

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

During the period a loss of £995,000 (6 months ended 30 June 2019: £682,000 gain) was realised in property, plant and equipment additions (see note 12); the residual gain recognised in other comprehensive income will amortise to property, plant and equipment in line with the payment profile of the hedged capital expenditure.

When foreign exchange forward contracts have settled before the committed EUR denominated capital expenditure has been incurred, related EUR cash deposits continue to hedge related commitments. Being part of a hedge accounting relationship and equal in principal to the amount of commitments, exchange differences of £2,270,000 (6 months ended 30 June 2019: £0) arising on translating the EUR cash deposits to sterling, are wholly recognised in the hedging reserve. These are included in the Movement in Hedging reserve table above under the heading of "Revaluation of EUR cash deposits through other comprehensive income".

**21 Share capital**

|   | 30 June<br>2020<br>£'000 | 31 December<br>2019<br>£'000 |
|---|--------------------------|------------------------------|
| <b>Authorised, allotted, called up and fully paid</b> |                          |                              |
| 50,000,002 Ordinary shares of £1 each                 | <u>50,000</u>            | <u>50,000</u>                |

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

**22 Capital commitments**

In respect of rolling stock capital expenditure

|                           | 30 June<br>2020<br>£'000 | 31 December<br>2019<br>£'000 |
|---------------------------|--------------------------|------------------------------|
| Authorised and contracted | <u>67,826</u>            | <u>164,761</u>               |

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

for the 6 months ended 30 June 2020

**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 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:

|                                    | Carrying value<br>£'000   | Total undiscounted cash flows<br>£'000 | On demand<br>£'000   | Due within 1 year<br>£'000 | Due between 1-5 years<br>£'000 | Due after 5 years<br>£'000 |
|------------------------------------|---------------------------|--|----------------------|----------------------------|--------------------------------|----------------------------|
| <b>30 June 2020</b>                |                           |  |                      |                            |                                |                            |
| <b>Financial assets</b>            |                           |  |                      |                            |                                |                            |
| Fair value through profit or loss: |                           |  |                      |                            |                                |                            |
| Derivative financial instruments   | 138                       | 123                                    | -                    | 123                        | -                              | -                          |
| Amortised cost:                    |                           |  |                      |                            |                                |                            |
| Trade and other receivables        | 3,023                     | 3,023                                  | -                    | 3,023                      | -                              | -                          |
| Cash and cash deposits             | 26,351                    | 26,351                                 | 26,351               | -                          | -                              | -                          |
|                                    | <u>29,512</u>             | <u>29,497</u>                          | <u>26,351</u>        | <u>3,146</u>               | -                              | -                          |
| <b>Financial liabilities</b>       |                           |  |                      |                            |                                |                            |
| Amortised cost:                    |                           |  |                      |                            |                                |                            |
| Trade and other payables           | (39,911)                  | (39,911)                               | -                    | (39,911)                   | -                              | -                          |
| Intercompany term lending          | (1,352,240)               | (1,352,240)                            | -                    | (60,905)                   | (272,078)                      | (1,019,257)                |
| Intercompany loan                  | (1,042,447)               | (1,042,447)                            | -                    | -                          | (1,042,447)                    | -                          |
| Bank loan                          | (6,056)                   | (6,056)                                | -                    | -                          | (6,056)                        | -                          |
|                                    | <u>(2,440,654)</u>        | <u>(2,440,654)</u>                     | -                    | <u>(100,816)</u>           | <u>(1,320,581)</u>             | <u>(1,019,257)</u>         |
| <b>Total financial instruments</b> | <b><u>(2,411,142)</u></b> | <b><u>(2,411,157)</u></b>              | <b><u>26,351</u></b> | <b><u>(97,670)</u></b>     | <b><u>(1,320,581)</u></b>      | <b><u>(1,019,257)</u></b>  |
| <b>31 December 2019</b>            |                           |  |                      |                            |                                |                            |
| <b>Financial assets</b>            |                           |  |                      |                            |                                |                            |
| Amortised cost:                    |                           |  |                      |                            |                                |                            |
| Trade and other receivables        | 6,819                     | 6,819                                  | -                    | 6,819                      | -                              | -                          |
| Cash and cash deposits             | 52,059                    | 52,059                                 | 52,059               | -                          | -                              | -                          |
|                                    | <u>58,878</u>             | <u>58,878</u>                          | <u>52,059</u>        | <u>6,819</u>               | -                              | -                          |
| <b>Financial liabilities</b>       |                           |  |                      |                            |                                |                            |
| Fair value through profit or loss: |                           |  |                      |                            |                                |                            |
| Derivative financial instruments   | (458)                     | (410)                                  | -                    | (410)                      | -                              | -                          |
| Amortised cost:                    |                           |  |                      |                            |                                |                            |
| Trade and other payables           | (24,741)                  | (24,741)                               | -                    | (24,741)                   | -                              | -                          |
| Intercompany term lending          | (1,381,790)               | (1,381,790)                            | -                    | (59,429)                   | (266,217)                      | (1,056,144)                |
| Intercompany loan                  | (1,112,435)               | (1,112,435)                            | -                    | -                          | (1,112,435)                    | -                          |
| Bank loan                          | (5,999)                   | (5,999)                                | -                    | -                          | (5,999)                        | -                          |
|                                    | <u>(2,525,423)</u>        | <u>(2,525,375)</u>                     | -                    | <u>(84,580)</u>            | <u>(1,384,651)</u>             | <u>(1,056,144)</u>         |
| <b>Total financial instruments</b> | <b><u>(2,466,545)</u></b> | <b><u>(2,466,497)</u></b>              | <b><u>52,059</u></b> | <b><u>(77,761)</u></b>     | <b><u>(1,384,651)</u></b>      | <b><u>(1,056,144)</u></b>  |



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

for the 6 months ended 30 June 2020

**24 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    | Level 1<br>£'000 | Fair value       |                  |
|------------------------------------|------|--------------------|------------------|------------------|------------------|
|                                    |      | £'000              |                  | Level 2<br>£'000 | Level 3<br>£'000 |
| <b>Financial assets</b>            |      |                    |                  |                  |                  |
| Fair value through profit or loss  |      | -                  |                  |                  |                  |
| Derivative financial instruments   | 20   | 138                | -                | 138              | -                |
| Amortised cost                     |      | -                  |                  |                  |                  |
| Trade and other receivables        | 13   | 3,023              |                  |                  |                  |
| Cash and cash deposits             | 14   | 26,351             |                  |                  |                  |
| <b>Total Financial assets</b>      |      | <b>29,512</b>      |                  |                  |                  |
| <b>Financial liabilities</b>       |      |                    |                  |                  |                  |
| Derivative financial instruments   |      | -                  |                  |                  |                  |
| Amortised cost                     |      | -                  |                  |                  |                  |
| Trade and other payables           | 15   | (39,911)           |                  |                  |                  |
| Intercompany term lending          | 17   | (1,352,240)        |                  |                  |                  |
| Intercompany loan                  | 17   | (1,042,447)        |                  |                  |                  |
| Bank loan                          | 17   | (6,056)            |                  |                  |                  |
| <b>Total Financial liabilities</b> |      | <b>(2,440,654)</b> |                  |                  |                  |
| <b>Total Financial instruments</b> |      | <b>(2,411,142)</b> |                  |                  |                  |
| <br>                               |      |                    |                  |                  |                  |
| 31 December 2019                   | Note | Carrying amount    | Level 1<br>£'000 | Fair value       |                  |
|                                    |      | £'000              |                  | Level 2<br>£'000 | Level 3<br>£'000 |
| <b>Financial assets</b>            |      |                    |                  |                  |                  |
| Amortised cost                     |      |                    |                  |                  |                  |
| Trade and other receivables        | 13   | 6,819              |                  |                  |                  |
| Cash and cash deposits             | 14   | 52,059             |                  |                  |                  |
| <b>Total Financial assets</b>      |      | <b>58,878</b>      |                  |                  |                  |
| <b>Financial liabilities</b>       |      |                    |                  |                  |                  |
| Fair value through profit or loss  |      |                    |                  |                  |                  |
| Derivative financial instruments   | 16   | (458)              | -                | 458              | -                |
| Amortised cost                     |      |                    |                  |                  |                  |
| Trade and other payables           | 15   | (24,741)           |                  |                  |                  |
| Intercompany term lending          | 17   | (1,381,790)        |                  |                  |                  |
| Intercompany loan                  | 17   | (1,112,435)        |                  |                  |                  |
| Bank loan                          | 17   | (5,999)            |                  |                  |                  |
| <b>Total Financial liabilities</b> |      | <b>(2,525,423)</b> |                  |                  |                  |
| <b>Total Financial instruments</b> |      | <b>(2,466,545)</b> |                  |                  |                  |

**25 Fair value of financial assets and liabilities**

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

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

for the 6 months ended 30 June 2020

**26 Operating lease arrangements****The Company as lessor**

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

|   | <b>30 June<br/>2020<br/>£'000</b> | <b>31 December<br/>2019<br/>£'000</b> |
|---|-----------------------------------|---------------------------------------|
| Within one year   | <b>450,380</b>                    | 344,065                               |
| 2-5 years   | <b>630,400</b>                    | 732,709                               |
| Over 5 years  | <b>27,681</b>                     | 38,734                                |
|   | <b><u>1,108,461</u></b>           | <u>1,115,508</u>                      |
| Aggregate operating lease rentals receivable in the period/year | <b><u>234,712</u></b>             | <u>440,795</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 (dissolved on 4 February 2020)
- Eversholt Finance Holdings Limited
- Eversholt Funding plc
- 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.

The immediate parent is European Rail Finance Holdings Limited.

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

for the 6 months ended 30 June 2020

**27 Related-party transactions (continued)**

**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 £10,241,000 (6 months ended 30 June 2019: £8,713,000).

The Company paid Eversholt Rail Limited £54,049,000 for the procurement of maintenance of the rolling stock (6 months ended 30 June 2019: £16,956,000).

Eversholt Funding plc charged transaction fees £250,000 to the Company (6 months ended 30 June 2019: £nil).

**28 Contingent liabilities**

There were no contingent liabilities for the Company at 30 June 2020.

**29 Subsequent events**

There are no subsequent events requiring disclosure in the interim financial statements.

Unaudited