

Eversholt Funding plc

**Unaudited, condensed interim financial statements
for the 6 months ended 30 June 2021**

Registered No: 07329930

Unaudited

Condensed interim financial statements

for the 6 months ended 30 June 2021

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Unaudited

Condensed income statement

for the 6 months ended 30 June 2021

		6 months ended	
		30 June	30 June
		2021	2020
		£'000	£'000
Revenue			
Fee income	4.1	741	258
Finance income	4.2	54,871	58,543
Total revenue		<u>55,612</u>	<u>58,801</u>
Finance expense	5	(51,928)	(60,275)
Net fair value gain/(loss) on derivative financial instruments	11	11,548	(4,708)
Gross profit/(loss)		<u>15,232</u>	<u>(6,182)</u>
Administrative expense	6	(169)	(210)
Other gains	14	-	11,354
Other losses	14	-	(11,354)
Profit/(loss) before tax		<u>15,063</u>	<u>(6,392)</u>
Income tax credit	7	130	3,383
Profit/(loss) for the period		<u>15,193</u>	<u>(3,009)</u>

There were no discontinued or discontinuing operations during the period.

The notes on pages 6 to 21 form an integral part of these financial statements.

Condensed statement of comprehensive income

for the 6 months ended 30 June 2021

		6 months ended	
		30 June	30 June
		2021	2020
		£'000	£'000
Profit/(loss) for the period		15,193	(3,009)
Other comprehensive income/(expense)			
Effective portion of changes in fair value of cash flow hedges	11	4,762	(56,135)
Realised gain on cash flow hedges to fellow group companies	11	502	41
Realised gain on cash flow hedges to the Income statement	11	2,121	556
Tax credit on changes in effective portion of changes in fair value of cash flow hedges	11	4,302	11,608
		<u>11,687</u>	<u>(43,930)</u>
Total comprehensive income/(expense) for the period		<u>26,880</u>	<u>(46,939)</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 2021

	<i>Note</i>	30 June 2021 £'000	31 December 2020 £'000
Assets			
Non-current assets			
Deferred tax	9	36,235	31,135
Derivative financial instruments	11	20,631	48,325
Amounts owed by group undertakings	10	1,905,025	1,930,422
		<u>1,961,891</u>	<u>2,009,882</u>
Current assets			
Amounts owed by group undertakings	10	74,540	60,620
Current tax		-	9,910
Cash and cash equivalents	12	500	500
Trade and other receivables		99	32
		<u>75,139</u>	<u>71,062</u>
Total assets		<u>2,037,030</u>	<u>2,080,944</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	13	41	50
Current tax		668	-
Borrowings	14	71,896	57,644
		<u>72,605</u>	<u>57,694</u>
Non-current liabilities			
Borrowings	14	1,898,925	1,924,442
Amounts owed to group undertakings	10	67,288	83,344
Derivative financial instruments	11	160,429	204,561
		<u>2,126,642</u>	<u>2,212,347</u>
Total liabilities		<u>2,199,247</u>	<u>2,270,041</u>
Equity			
Share capital	16	50	50
Accumulated deficit		(90,958)	(106,151)
Hedging reserve	11	(71,309)	(82,996)
Total equity		<u>(162,217)</u>	<u>(189,097)</u>
Total equity and liabilities		<u>2,037,030</u>	<u>2,080,944</u>

The notes on pages 6 to 21 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 2021. 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 2021

	Note	30 June 2021 £'000	30 June 2020 £'000
Cash flow from operating activities			
Profit/(loss) before tax		15,063	(6,392)
Adjustments for:			
- Finance expense	5	51,928	60,275
- Finance income	4.2	(54,871)	(58,543)
- Amortisation of capitalised finance charges	20.2	279	320
- Fair value adjustment on derivative financial instruments	11	(11,548)	4,708
- Other gains	14	-	(11,354)
- Other losses	14	-	11,354
Operating cash flow before changes in working capital		851	368
Increase in trade and other receivables		(67)	(97)
(Decrease)/increase in trade and other payables	13	(9)	4
Cash flow generated by operating activities		775	275
Receipt in respect of group relief		9,910	-
Net cash generated by operating activities		10,685	275
Cash flow from investing activities			
Movement in amounts borrowed by group entities	15	12,821	(255,049)
Interest received on loan to Eversholt Rail Limited	15	53,527	59,499
Net cash generated by/(utilised in) investing activities		66,348	(195,550)
Cash flow from financing activities			
Movement in intercompany loan with Eversholt Rail Limited	15	(17,327)	1,093
External borrowing raised	15	-	340,351
External borrowings repaid	15	(12,821)	(85,000)
Interest paid on bonds	15	(42,880)	(49,917)
Interest received/(paid) on bank loans	15	1	(221)
Interest paid on swaps	15	(3,811)	(10,363)
Financing fees paid		(195)	(1,629)
Net cash (utilised in)/generated by financing activities		(77,033)	194,314
Net movement in cash and cash equivalents		-	(961)
Cash and cash equivalents at beginning of the period		500	1,461
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 2021

	Note	Share capital £'000	Hedging reserve £'000	Accumulated deficit £'000	Total equity £'000
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		-	(56,135)	-	(56,135)
Realised gain on cash flow hedge released to fellow group companies		-	41	-	41
Realised gain on cash flow hedge released to Income statement		-	556	-	556
Tax credit on changes in effective portion of changes in fair value of cash flow hedges		-	11,608	-	11,608
Total comprehensive expense		-	(43,930)	(3,009)	(46,939)
Balance at 30 June 2020	16	<u>50</u>	<u>(87,752)</u>	<u>(107,199)</u>	<u>(194,901)</u>
Balance at 1 January 2021	16	50	(82,996)	(106,151)	(189,097)
Profit for the period		-	-	15,193	15,193
Effective portion of changes in fair value of cash flow hedges	11	-	4,762	-	4,762
Realised gain on cash flow hedges to fellow group companies	11	-	502	-	502
Realised gain on cash flow hedges to the Income statement	11	-	2,121	-	2,121
Tax credit on changes in effective portion of changes in fair value of cash flow hedges	11	-	4,302	-	4,302
Total comprehensive income		-	11,687	15,193	26,880
Balance at 30 June 2021	16	<u>50</u>	<u>(71,309)</u>	<u>(90,958)</u>	<u>(162,217)</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

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.

The Company also forms part of the group of companies (the “Security Group”) that are bound by the terms of the financing arrangements established on 4 November 2010 (the “Financing Documents”) for the debt raised by the Company. The Security Group comprises the Eversholt UK Rails Group excluding Eversholt UK Rails Limited (see note 20.1).

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 adopted by the United Kingdom (“UK”). 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 the year ended 31 December 2020. 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 2020.

2.2 Going concern

The Company’s forecasts and projections taking account of reasonably possible changes in trading performance, including the potential impact of COVID-19, show that the Company has adequate resources to continue in operational existence for the period of at least 12 months from the date when the condensed interim financial statements are authorised for issue. The Company is also able to rely on financial support and access cash generated from other members of the Security Group, to the extent necessary under the terms of the financing arrangements with lenders. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

In reaching this conclusion, the Directors have also considered: the current financial position of the Security Group, which has cash of £153,360,000 and undrawn committed borrowing facilities of £600,000,000 as at 30 June 2021; projected performance against financial covenants; the high level of forecast revenue underpinned by existing lease agreements; the legal arrangements in place in the event of an operator default and the extent to which the UK Government is the “operator of last resort” in such circumstances; and potential mitigating actions. Multiple scenarios were run against the most recent forecasts as well as assessing the level of forecast revenue that would need to be lost before the Security Group breached any of its borrowing covenants. The Directors are satisfied that under all reasonable sensitivities to the Company’s forecasts and projections that the Company has adequate resources to continue in existence for the period of at least 12 months from the date when these financial statements are authorised for issue.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

2 Basis of preparation (continued)**2.2 Going concern (continued)**

The Directors have considered the potential impacts of COVID-19 upon the Company and its ability to meet commitments for the period of at least 12 months from the date these financial statements are authorised for issue. 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 the threat to the demand for passenger rolling stock as a result of a sustained reduction in passenger volumes. This is largely mitigated in the short term by the existing lease agreements with operators and UK Government support for rail services through formal arrangements with operators, including, for example, ERMAs (Emergency Recovery Measures Agreements), introduced in 2020. In due course, these will be replaced by national rail contracts which will be eventually superseded by passenger service contracts. The Group's current rolling stock maintenance and enhancement plans may be subject to delays caused by COVID-19, however this is not considered a material risk. In common with UK businesses generally, the Group 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. The Group maintains a prudent level of liquidity to cater for adverse business conditions in the event of a prolonged severe period of disruption.

At this stage, the Directors do not believe that COVID-19 presents any material risks to the Company or the Group, nor changes to risk management. The Directors consider the key critical judgement in reaching this conclusion to be the UK Government's continued support to the rail industry. Nevertheless, the Directors continue to keep the pandemic under review, monitoring events and possible outcomes, as the full impact of COVID-19 emerges.

3 Summary of significant accounting policies

The accounting policies applied by the Company in these condensed interim financial statements are the same as those applied by the Company in its financial statements for the year ended 31 December 2020.

These policies are consistent with applicable IFRSs ("International Financial Reporting Standards"), issued by the IASB ("International Accounting Standards Board") or IFRIC ("IFRS Interpretations Committee") and endorsed for use in the UK by the UK Endorsement Board, referred to as "UK-adopted IFRS".

The concept of "UK adoption" has been introduced as a consequence of the UK's withdrawal from the European Union ("EU") and the end of the corresponding transition arrangements on 31 December 2020. There is currently no difference between IFRSs endorsed by the EU and IFRSs adopted by the UK in terms of their application to the Company.

With effect from 1 January 2021, the Company has also implemented Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2, issued by the IASB on 27 August 2020 and adopted by the UK on 5 January 2021. Accordingly, the Company has provided additional disclosure as regards progress towards LIBOR reform, as set out in note 11.

4 Revenue**4.1 Fee income**

	6 months ended	
	30 June 2021	30 June 2020
	£'000	£'000
Funding services fees charged to Eversholt Rail Limited	8	8
Transaction fees charged to Eversholt Rail Leasing Limited	733	250
	741	258

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

4 Revenue (continued)**4.2 Finance income**

	6 months ended	
	30 June 2021	30 June 2020
	£'000	£'000
Interest received from Eversholt Rail Limited	54,871	58,543
	<u>54,871</u>	<u>58,543</u>

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

5 Finance expense

	6 months ended	
	30 June 2021	30 June 2020
	£'000	£'000
Interest payable on bank loans	-	(175)
Interest payable on bonds	(42,643)	(47,399)
Interest payable to Eversholt Rail Limited	(1,773)	(1,091)
Finance expense in relation to financial liabilities carried at amortised cost	<u>(44,416)</u>	<u>(48,665)</u>
Transfer from hedging reserve	(2,121)	(556)
Interest payable on derivative financial instruments	(3,683)	(9,399)
Other finance and interest costs	(1,708)	(1,655)
Total	<u>(51,928)</u>	<u>(60,275)</u>

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

6 Administrative expense

Administrative expense includes:

	30 June 2021	30 June 2020
	£'000	£'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	(45)	(42)

The Company has no employees and hence no staff costs (6 months ended 30 June 2020: nil).

Directors' emoluments**Non-executive directors**

	6 months ended	
	30 June 2021	30 June 2020
	£'000	£'000
Directors' fees	(12)	(12)

The charge for four of the Directors' services has been borne by another group company, Eversholt Rail Limited. The fees, above, represent the charge for LDC Securitisation Director No. 3 Limited's corporate director services which have been borne by the Company and are included in administrative expense.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

7 Income tax

	<i>Note</i>	6 months ended	
		30 June 2021 £'000	30 June 2020 £'000
Current tax			
UK Corporation tax on current period (profit)/loss		(668)	319
Deferred tax			
Origination and reversal of temporary differences	9	(2,194)	895
Change in tax rate	9	2,992	2,169
Income tax credit		<u>130</u>	<u>3,383</u>

The UK tax rate applied to the profits in the period was 19% (2020: 19%).

Corporation tax has been calculated by reference to the current tax rate of 19%.

Deferred tax is calculated by reference to the tax rates that apply when the corresponding deferred tax asset is realised or deferred tax liability settled. The applicable rates are those rates that have been enacted or substantively enacted by 30 June 2021 and are as follows:

For periods:	%
Prior to 1 April 2023	19
Post 31 March 2023	25

This has led to the tax charge attributable to "change in tax rate" 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 2021 £'000	30 June 2020 £'000
Profit/(loss) before tax	15,063	(6,392)
Taxation at corporation tax rate of 19% (2020: 19%)	(2,862)	1,214
Change in tax rate	2,992	2,169
Income tax credit	<u>130</u>	<u>3,383</u>

8 Dividends

For the period ended 30 June 2021 no dividend has been paid or declared (6 months ended 30 June 2020: £nil).

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

9 Deferred tax asset

Deferred tax assets and liabilities are offset where the relevant criteria are met. Deferred tax arises on timing differences created by unrealised changes in the fair value of derivative financial instruments.

	30 June 2021 £'000	31 December 2020 £'000
Balance at 1 January	31,135	27,415
Charge to Income statement	(2,194)	(8,941)
(Charge)/credit to other comprehensive income	(1,403)	9,436
Effect of change in tax rate:		
- Income statement	2,992	2,169
- Other comprehensive income	5,705	1,056
Balance at end of period	<u>36,235</u>	<u>31,135</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.

Deferred tax is calculated by reference to the tax rates that apply when the corresponding deferred tax asset is realised or deferred tax liability settled. The applicable rates are those rates that have been enacted or substantively enacted by 30 June 2021 and are as follows:

For periods:	%
Prior to 1 April 2023	19
Post 31 March 2023	25

This has led to the tax charge attributable to "change in tax rate" shown in the above analysis.

10 Amounts owed by/to group undertakings

	30 June 2021 £'000	31 December 2020 £'000
Current assets		
Intercompany accrued interest	20,328	20,693
Eversholt Rail Limited	<u>54,212</u>	<u>39,927</u>
	<u>74,540</u>	<u>60,620</u>
Non-current assets		
Eversholt Rail Limited	<u>1,905,025</u>	<u>1,930,422</u>
	<u>1,979,565</u>	<u>1,991,042</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>67,288</u>	<u>83,344</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 2020: Group's senior debt, plus margin).

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

11 Derivative financial instruments

The fair value of derivative financial instruments shown in the Statement of financial position, includes related accrued interest. In the Company's 2020 Condensed Interim Financial Statements, such accrued interest was included under the heading of "Borrowings" in the Statement of financial position.

Amounts included under each "Derivative financial instruments" heading are analysed below:

	Note	30 June 2021 £'000	31 December 2020 £'000
Non-current assets			
Fair value – excluding accrued interest		19,085	46,883
Accrued interest		1,546	1,442
		<u>20,631</u>	<u>48,325</u>
Non-current liabilities			
Fair value – excluding accrued interest		(156,566)	(200,674)
Accrued interest		(3,863)	(3,887)
		<u>(160,429)</u>	<u>(204,561)</u>
Total derivative financial instruments (excluding accrued interest)	See below	<u>(137,481)</u>	<u>(153,791)</u>
Total accrued interest	15	<u>(2,317)</u>	<u>(2,445)</u>

Excluding accrued interest, the fair values of the derivative financial instruments are as follows:

30 June 2021	Notional Amount £'000	Fair Value Amount £'000	Change in fair value used for calculating hedge ineffectiveness £'000
Non-current assets			
Interest rate swap contracts	250,179	19,085	-
Non-current liabilities			
Interest rate swap contracts	850,179	(149,419)	-
Interest rate swap contracts – hedge accounted	237,500	(7,147)	6,029
	<u>1,087,679</u>	<u>(156,566)</u>	<u>6,029</u>
Total derivative financial instruments	<u>1,337,858</u>	<u>(137,481)</u>	<u>6,029</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

11 Derivative financial instruments (continued)

31 December 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	250,365	46,883	-
Non-current liabilities			
Interest rate swap contracts	850,365	(187,498)	-
Interest rate swap contracts – hedge accounted	237,500	(13,176)	(50,321)
	<u>1,087,865</u>	<u>(200,674)</u>	<u>(50,321)</u>
Total derivative financial instruments	<u>1,338,230</u>	<u>(153,791)</u>	<u>(50,321)</u>

The fair value of derivative financial instruments is based on market rates on 30 June 2021.

The Company's swap contracts that are included in a hedge accounting relationship, are used to manage its overall hedging ratio.

As at 30 June 2021, the Company's hedge accounted swaps were deemed to be highly effective and the fair value liability associated to these interest rate swaps was £7,147,000 (31 December 2020: £13,176,000).

Hedge ineffectiveness gain of £1,267,000 (6 months ended 30 June 2020: £1,834,000 loss) comprised the difference between the change in the fair value of the:

- Hedged item used as a basis of recognising hedge ineffectiveness loss of £4,762,000 (6 months ended 30 June 2020: £56,163,000 gain); and
- Interest rates swaps used as a basis of recognising hedge ineffectiveness of a gain of £6,029,000 (6 months ended 30 June 2020: £57,997,000 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 2021 Notional value £'000	31 December 2020 Notional value £'000
Within 1 year	-	-
1 to 5 years	-	-
More than 5 years	1,337,858	1,338,230

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

11 Derivative financial instruments (continued)

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 2021	(140,615)	(13,176)	(153,791)
Unrealised gain through the income statement			
- ineffective	-	1,267	1,267
- Other	10,281	-	10,281
	<u>10,281</u>	<u>1,267</u>	<u>11,548</u>
Unrealised gain through other comprehensive income	-	4,762	4,762
Balance as at 30 June 2021	<u>(130,334)</u>	<u>(7,147)</u>	<u>(137,481)</u>
Balance as at 1 January 2020	(100,062)	(49,616)	(149,678)
Unrealised gain/(loss) through the income statement			
- ineffective	-	851	851
- Other	(6,758)	-	(6,758)
	<u>(6,758)</u>	<u>851</u>	<u>(5,907)</u>
Settlement	52,966	-	52,966
Transfer*	(86,761)	86,761	-
Unrealised loss through other comprehensive income	-	(51,172)	(51,172)
Balance as at 31 December 2020	<u>(140,615)</u>	<u>(13,176)</u>	<u>(153,791)</u>

*The amount transferred represents the fair value of interest rate swaps at the time when their related hedge relationship was de-designated/designated during the year.

Movement in Hedging reserve

	Current hedge accounted £'000	Terminated hedge accounted £'000	Total £'000
Balance as at 1 January 2021	1,343	81,653	82,996
Unrealised gain through other comprehensive income	(4,762)	-	(4,762)
Realised gain on cash flow hedges to fellow group undertaking	-	(502)	(502)
Release to the income statement	-	(2,121)	(2,121)
Income tax on other comprehensive income	1,091	(5,393)	(4,302)
Balance as at 30 June 2021	<u>(2,328)</u>	<u>73,637</u>	<u>71,309</u>
Balance as at 1 January 2020	39,948	3,874	43,822
Unrealised loss through other comprehensive income	51,172	-	51,172
Realised gain on cash flow hedges to fellow group undertaking	-	(1,153)	(1,153)
Release to the income statement	-	(353)	(353)
Transfer**	(97,644)	97,644	-
Income tax on other comprehensive income	7,867	(18,359)	(10,492)
Balance as at 31 December 2020	<u>1,343</u>	<u>81,653</u>	<u>82,996</u>

**Transfer relates to the termination of a hedge relationship in June 2020. The hedged item, being forecast interest costs, is still expected to arise and therefore related amounts have been reclassified accordingly. The gross amount transferred is £97,644,000 and related deferred tax is £18,552,000.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

11 Derivative financial instruments (continued)

Cumulative unrealised losses of £73,638,000 (31 December 2020: £81,653,000) 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 periods when the originally hedged future cashflows occur.

At 30 June 2021 the Company held interest rate swaps with a fair value of £130,334,000 liability (31 December 2020: £140,615,000 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 2020: £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

The Company is in the process of re-negotiating/amending the terms of relevant instruments in order to accommodate such change in benchmarks, and expects to complete well in advance of 31 December 2021. Instruments impacted will be interest rate swaps and borrowings, as described in notes 11 and 14. It is intended that LIBOR will be replaced by SONIA plus an appropriate credit adjustment spread, determined at the date of change. The Company does not consider that the new rate introduces any significant change in risk and therefore the Company's current risk management strategy remains in place.

12 Cash and cash equivalents

Cash and cash equivalents are analysed as:

	30 June 2021 £'000	31 December 2020 £'000
Cash at bank	<u>500</u>	<u>500</u>

£500,000 (31 December 2020: £500,000) of cash and cash equivalents is restricted cash in accordance with the terms of the agreement with the security trustee for the Company's secured creditors.

13 Trade and other payables

	30 June 2021 £'000	31 December 2020 £'000
Fees and other payables accrued	<u>41</u>	<u>50</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

14 Borrowings

	30 June 2021 £'000	31 December 2020 £'000
Current		
Interest accrued	18,011	18,248
Bonds	54,212	39,927
Transaction costs	(327)	(531)
	<u>71,896</u>	<u>57,644</u>
Non-current		
Bonds	1,905,025	1,930,423
Transaction costs	(6,100)	(5,981)
	<u>1,898,925</u>	<u>1,924,442</u>
	<u>1,970,821</u>	<u>1,982,086</u>

Bond principal amount

	Due date	Interest rate Semi-annual coupon
£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 is puttable.

*The above table includes new bond issuance of £500,000,000 in June 2020, of which £159,700,000 was used to repay £128,700,000 of the £400,000,000 bonds otherwise maturing in 2025 ("2025 Debt"). The bond principal amount therefore reduced to £271,300,000 as at 30 June 2020. The part repayment was accounted for as a debt modification and not as an extinguishment of the original debt and issue of new debt under IFRS 9 Financial Instruments. This was on the basis that the terms of the debt had not substantially changed. Accordingly, the carrying value of the existing debt was restated to equal the present value of modified cashflows, giving rise to a gain of £11,354,000 recognised in the Income statement. The revised cashflows were discounted at the effective interest rate associated with the original 2025 Debt which equated to a carrying value of £117,300,000 included in non-current borrowings above.

The Company's loan to Eversholt Rail Limited (note 10) mirrors the terms of the Company's external debt. Therefore the impact of the refinancing was also reflected through the loan to Eversholt Rail Limited. Accordingly this resulted in a loss in the Income statement that is equal and opposite to the gain recorded above.

In 2020's Condensed Income statement, the gain of £11,354,000 was included under "Other income", whilst the loss of £11,354,000 was charged as part of "administrative expense". In preparing the comparative to the 2021 Condensed Income statement, the gain and loss have been separately identified as "Other gains" and "Other losses" respectively. "Other income" and "Administrative expense" have therefore been restated accordingly.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

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

The maturity profile of the carrying amount of the Company's non-current borrowings at 30 June 2021 was as follows:

	30 June 2021 £'000	31 December 2020 £'000
In more than one year but not more than two years	54,212	54,212
In more than two years but not more than five years	433,986	433,987
In more than five years	1,416,827	1,442,224
	<u>1,905,025</u>	<u>1,930,423</u>

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

30 June 2021	As at 31 December 2020 £'000	Non-cash finance expense /(income) £'000	Cash Flows receipts/ (payments) £'000	As at 30 June 2021 £'000
Financing activities attributable to:				
Liabilities				
Eversholt Rail Limited	83,344	1,271 *	(17,327)	67,288
Bond interest accrued	18,248	42,643	(42,880)	18,011
Swap interest accrued	2,445	3,683	(3,811)	2,317
Bank loan interest accrued	(1)	-	1	-
Bonds	1,970,350	1,708	(12,821)	1,959,237
	<u>2,074,386</u>	<u>49,305</u>	<u>(76,838)</u>	<u>2,046,853</u>
Assets				
Eversholt Rail Limited interest accrued	(20,693)	(53,162)	53,527	(20,328)
Eversholt Rail Limited loan	(1,970,349)	(1,709)	12,821	(1,959,237)
	<u>(1,991,042)</u>	<u>(54,871)</u>	<u>66,348</u>	<u>(1,979,565)</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

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

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 14, adjusted for capitalised transaction costs expensed as part of the transaction.

*** This relates to the refinancing loss described in note 14.

16 Share capital

	30 June 2021 £'000	31 December 2020 £'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 2020 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 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.

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

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

17 Risk management (continued)

30 June 2021	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	20,631	22,224	-	3,624	7,525	11,075
Amortised cost						
Amounts owed by group undertakings	1,979,565	2,806,255	-	139,062	793,380	1,873,813
Cash and cash equivalents	500	500	-	-	-	500
Trade and other receivables	99	99	-	99	-	-
Total Financial assets	2,000,795	2,829,078	-	142,785	800,905	1,885,388
Financial liabilities						
Fair value through profit or loss						
Derivative financial instruments	160,429	177,692	-	11,127	37,313	129,252
Amortised cost						
Borrowings	1,977,248	2,806,255	-	139,062	793,380	1,873,813
Amount owed to group undertakings or intercompany loans	67,288	67,288	-	-	67,288	-
Trade and other payables	41	41	-	41	-	-
Total Financial liabilities	2,205,006	3,051,276	-	150,230	897,981	2,003,065
Total Financial Instruments	(204,211)	(222,198)	-	(7,445)	(97,076)	(117,677)
31 December 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 or loss						
Derivative financial instruments	48,325	50,549	-	3,564	13,072	33,913
Amortised cost						
Amounts owed by group undertakings	1,991,042	2,861,937	-	125,446	807,160	1,929,331
Cash and cash equivalents	500	500	-	-	-	500
Trade and other receivables	32	32	-	32	-	-
Total Financial assets	2,039,899	2,913,018	-	129,042	820,232	1,963,744
Financial liabilities						
Fair value through profit or loss						
Derivative financial instruments	204,561	215,423	-	11,117	42,908	161,398
Amortised cost						
Borrowings	1,988,598	2,861,937	-	125,446	807,160	1,929,331
Amount owed to group undertakings or intercompany loans	83,344	83,344	-	-	83,344	-
Trade and other payables	50	50	-	50	-	-
Total Financial liabilities	2,276,553	3,160,754	-	136,613	933,412	2,090,729
Total Financial Instruments	(236,654)	(247,736)	-	(7,571)	(113,180)	(126,985)

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

17 Risk management (continued)

Cash and cash equivalents (recoverable after 5 years) of £500,000 (2019: £500,000) is restricted cash in line with the terms of an agreement with the security trustee for the Group's secured creditors.

The financial liabilities carried at amortised cost in the above table can be reconciled to note 14 as follows:

	30 June 2021 £'000	31 December 2020 £'000
Financial liabilities at amortised cost	1,977,248	1,988,598
Transaction costs	(6,427)	(6,512)
Borrowings per note 14	<u>1,970,821</u>	<u>1,982,086</u>

18 Financial instruments

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

30 June 2021	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	20,631		20,631	
Amortised cost					
Amounts owed by group undertakings					
Intercompany fixed rate loan to Eversholt Rail Limited	10	1,898,528		2,197,288	
Intercompany loan to Eversholt Rail Limited (other)	10	81,037			
Cash and cash equivalents	12	500			
Trade and other receivables		99			
Total Financial assets		<u>2,000,795</u>			
Financial liabilities					
Fair value through profit or loss					
Derivative financial instruments	11	160,429		160,429	
Amortised cost					
Publicly traded bonds	14	1,558,528	1,804,387		
Fixed rate borrowings	14	340,000		392,901	
Other borrowings	14	78,720			
Intercompany loan	10	67,288			
Trade and other payables	13	41			
Total Financial liabilities		<u>2,205,006</u>			
Total Financial instruments		<u>(204,211)</u>			

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

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
- 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.

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 2021 the Company received management fees of £8,000 from Eversholt Rail Limited (6 months ended 30 June 2020: £8,000)

The Company charged transaction fees to Eversholt Rail Leasing Limited of £733,000 (6 months ended 30 June 2020: £250,000).

The Company transferred borrowing related transaction costs of £279,000 (6 months ended 30 June 2020: £320,000) to Eversholt Rail Leasing Limited.

21 Contingent liabilities

There were no contingent liabilities for the Company at 30 June 2021 and at 31 December 2020.

22 Subsequent events

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