

Eversholt Rail Leasing Limited

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

Registered No: 02720809

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

	<i>Note</i>	6 months ended	
		30 June 2021 £'000	30 June 2020 £'000
Revenue			
Operating lease income	4	209,804	234,712
Other income	4	1,368	1,469
Total revenue		211,172	236,181
Cost of sales	5	(96,544)	(130,713)
Gross Profit		114,628	105,468
Finance expense	6	(55,979)	(62,489)
Net fair value gain on derivative financial instruments	20	-	2
Administrative expense	7	(11,056)	(10,588)
Profit/(loss) on disposal of property, plant and equipment		1,047	(18)
Profit before tax		48,640	32,375
Income tax charge	9	(36,341)	(14,817)
Profit for the period		12,299	17,558

There were no discontinued or discontinuing operations during the period.

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

Condensed statement of other comprehensive income

for the 6 months ended 30 June 2021

	<i>Note</i>	6 months ended	
		30 June 2021 £'000	30 June 2020 £'000
Profit for the period		12,299	17,558
Other comprehensive income/(expense)			
Effective portion of changes in fair value of cash flow hedges	20	-	(1,676)
Realised loss on cash flow hedges to property, plant and equipment	20	(524)	(995)
Tax credit on changes in effective portion of changes in fair value of cash flow hedges	20	49	692
		(475)	(1,979)
Total comprehensive income for the period		11,824	15,579

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			
Property, plant and equipment	12	2,405,803	2,485,629
Investments in subsidiaries	11	149,319	149,319
		<u>2,555,122</u>	<u>2,634,948</u>
Current assets			
Trade and other receivables	13	15,639	11,927
Current tax		3,637	2,528
Cash and cash equivalents	14	12,743	16,438
		<u>32,019</u>	<u>30,893</u>
Total assets		<u>2,587,141</u>	<u>2,665,841</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	15	38,211	37,192
Other liabilities	16	1,130	18,206
Borrowings	17	69,766	68,363
		<u>109,107</u>	<u>123,761</u>
Non-current liabilities			
Other liabilities	16	144,619	117,357
Borrowings	17	2,085,740	2,216,374
Deferred tax	19	109,295	81,793
		<u>2,339,654</u>	<u>2,415,524</u>
Total liabilities		<u>2,448,761</u>	<u>2,539,285</u>
Equity			
Share capital	21	50,000	50,000
Hedging reserve	20	638	1,113
Retained earnings		87,742	75,443
Total equity		<u>138,380</u>	<u>126,556</u>
Total equity and liabilities		<u>2,587,141</u>	<u>2,665,841</u>

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

The financial statements were approved by the Board of Directors and authorised for issue on 2 September 2021. 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 2021

		6 months ended	
	Note	30 June 2021 £'000	30 June 2020 £'000
Cash flow from operating activities			
Profit before tax		48,640	32,375
Adjustments for:			
- Depreciation charge	5	68,067	93,665
- Finance expense	6	55,979	62,489
- (Profit)/loss on disposal of property, plant and equipment		(1,047)	18
- Release of expected credit loss allowance	13	(23)	-
- Gain on fair value of derivative financial instruments	20	-	(2)
Operating cash flow before changes in working capital		<u>171,616</u>	<u>188,545</u>
(Increase)/decrease in trade and other receivables	13	(3,689)	3,796
Increase/(decrease) in other liabilities	16	10,186	(15,397)
Increase in trade and other payables	15	1,019	15,170
Cash generated by operating activities		<u>179,132</u>	<u>192,114</u>
Receipt in respect of group relief		(9,899)	-
Net cash generated by operating activities		<u>169,233</u>	<u>192,114</u>
Cash flow from investing activities			
Acquisition of property, plant and equipment	12	(5,650)	(53,507)
Proceeds from disposal of property, plant and equipment	12	17,964	-
Cost of disposal of property, plant and equipment	12	-	(18)
Net cash generated by/(utilised in) investing activities		<u>12,314</u>	<u>(53,525)</u>
Cash flow from financing activities			
Loan repaid to Eversholt Rail Limited	18	(59,380)	(59,380)
Net interest received/(paid)	6	841	(1,420)
Movement in intercompany loan with Eversholt Rail Limited	18	(126,703)	(101,227)
Net cash utilised in financing activities		<u>(185,242)</u>	<u>(162,027)</u>
Net movement in cash and cash equivalents		<u>(3,695)</u>	<u>(23,438)</u>
Net foreign exchange difference		-	(2,270)
Cash and cash equivalents at the beginning of the period		16,438	52,059
Cash and cash equivalents at the end of the period	14	<u>12,743</u>	<u>26,351</u>

Condensed statement of changes in equity

for the 6 months ended 30 June 2021

	<i>Note</i>	Share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020	21	50,000	(7,670)	51,626	93,956
Profit for the period		-	-	17,558	17,558
Effective portion of changes in fair value of cash flow hedges		-	(1,676)	-	(1,676)
Realised loss on cash flow hedges to Property, plant and equipment		-	(995)	-	(995)
Income tax credit on other comprehensive expense		-	692	-	692
Total comprehensive (expense)/income		-	(1,979)	17,558	15,579
Balance at 30 June 2020	21	<u>50,000</u>	<u>(9,649)</u>	<u>69,184</u>	<u>109,535</u>
Balance at 1 January 2021	21	50,000	1,113	75,443	126,556
Profit for the period		-	-	12,299	12,299
Effective portion of changes in fair value of cash flow hedges		-	-	-	-
Realised loss on cash flow hedges to Property, plant and equipment	20	-	(524)	-	(524)
Income tax credit on other comprehensive expense	20	-	49	-	49
Total comprehensive (expense)/income		-	(475)	12,299	11,824
Balance at 30 June 2021	21	<u>50,000</u>	<u>638</u>	<u>87,742</u>	<u>138,380</u>

No dividends were paid in the 6 months ended 30 June 2021 (6 months ended 30 June 2020: £nil)

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2021

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.

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 Security Group. The Security Group comprises the Eversholt UK Rails Group excluding Eversholt UK Rails Limited (see note 27.1).

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 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 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.

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 rolling stock leasing business and its relationships with fellow Group undertakings, which are ultimately dependent on the viability of the Group’s rolling stock leasing business.

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)**

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, ERMA (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 reform, as set out in note 17.

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 2021	30 June 2020
	£'000	£'000
Operating lease rental income	209,804	234,712
Other income	1,368	1,469
	<u>211,172</u>	<u>236,181</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

5 Cost of sales

	6 months ended	
	30 June 2021	30 June 2020
	£'000	£'000
Depreciation	(68,067)	(93,665)
Maintenance cost	(28,477)	(37,048)
	<u>(96,544)</u>	<u>(130,713)</u>

6 Finance expense

	6 months ended	
	30 June 2021	30 June 2020
	£'000	£'000
Interest payable to Eversholt Rail Limited	(56,820)	(61,069)
Finance expense payable to Eversholt Funding plc	(279)	(320)
Net interest receivable/(payable)	1,120	(1,100)
	<u>(55,979)</u>	<u>(62,489)</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 2021	30 June 2020
	£'000	£'000
Management fees payable to Eversholt Rail limited	(10,264)	(10,241)
Transaction fees payable to Eversholt Funding plc	(733)	(250)
Fees payable to Eversholt Rail Limited 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).

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.

9 Income tax

	6 months ended	
	30 June 2021	30 June 2020
	£'000	£'000
Current tax		
UK Corporation tax on current year profit	8,790	8,815
Deferred tax		
Origination and reversal of temporary differences	1,371	(2,661)
Change in tax rate	26,180	8,663
	<u>27,551</u>	<u>6,002</u>
Income tax charge	<u>36,341</u>	<u>14,817</u>

The UK tax rate applying to the profits was 19% (2020: 19%).

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

9 Income tax (continued)

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 2021	30 June 2020
	£'000	£'000
Profit before tax	48,640	32,375
Taxation at corporation tax rate of 19% (2020: 19%)	(9,242)	(6,151)
Change in tax rate	(26,180)	(8,663)
Non-deductible expense	244	(3)
Permanent tax difference	(1,163)	-
Income tax charge	<u>(36,341)</u>	<u>(14,817)</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 £49,000 gain being recognised in total comprehensive income (6 months ended 30 June 2020: £692,000 gain).

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.

10 Dividends

No dividend was paid to European Rail Finance Holdings Limited in the period ended 30 June 2021 (6 months ended 30 June 2020: £nil).

The Company did not receive any dividend income in the period ended 30 June 2021 (6 months ended 30 June 2020: £nil).

11 Investments in subsidiaries

	30 June	31 December
	2021	2020
	£'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 2021

12 Property, plant and equipment

	Rolling stock and other railway assets £'000
Cost	
Balance at 1 January 2020	3,255,350
Additions	80,576
Disposals	(39,420)
Balance at 31 December 2020	3,296,506
Additions	5,158
Disposals	(24,294)
Balance at 30 June 2021	3,277,370
 Depreciation	
Balance at 1 January 2020	646,064
Charge for the year	192,321
Write-down	11,912
Disposals	(39,420)
Balance at 31 December 2020	810,877
Charge for the period	68,067
Disposals	(7,377)
Balance at 30 June 2021	871,567
 Carrying Value at 30 June 2021	2,405,803
 Carrying Value at 31 December 2020	<u>2,485,629</u>

The cost of tangible fixed assets at 30 June 2021 includes capitalised interest of £45,282,000 (31 December 2020: £45,250,000). 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 a credit from other comprehensive income (being a realised loss on cashflow hedges) of £524,000 (December 2020: 11,446,000 debit) and bank loan capitalised interest of £32,000 (December 2020: £96,000) together with capitalisation of other interest of £nil (December 2020: £57,000).

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

13 Trade and other receivables

	30 June 2021 £'000	31 December 2020 £'000
Trade receivables	<u>15,639</u>	<u>11,927</u>

Trade receivables includes £4,872,000 (31 December 2020: £5,218,000) in relation to operating lease rentals that have been accrued and for which a 12 month expected credit loss allowance of £330,000 is carried (31 December 2020: £353,000). During the period there has been a release of £23,000 in the expected credit loss allowance (6 months ended 30 June 2020 £nil). The allowance reflects a revised rental payment profile, pursuant to changes in commercial arrangements.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

14 Cash and cash equivalents

Cash and cash deposits are analysed as:

	30 June 2021 £'000	31 December 2020 £'000
Bank accounts	<u>12,743</u>	<u>16,438</u>

15 Trade and other payables

	30 June 2021 £'000	31 December 2020 £'000
Trade and other payables	25,023	8,211
Rentals received in advance	10,027	24,480
Accruals	<u>3,161</u>	<u>4,501</u>
	<u>38,211</u>	<u>37,192</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:

	30 June 2021 £'000	31 December 2020 £'000
Current	<u>1,130</u>	<u>18,206</u>
Non-current	<u>144,619</u>	<u>117,357</u>

17 Borrowings

	30 June 2021 £'000	31 December 2020 £'000
Current		
Eversholt Rail Limited (term loan)	63,639	62,268
Bank loan	<u>6,127</u>	<u>6,095</u>
	<u>69,766</u>	<u>68,363</u>
Non-current		
Eversholt Rail Limited (term loan)	1,227,696	1,260,093
Eversholt Rail Limited (intercompany loan)	<u>858,044</u>	<u>956,281</u>
	<u>2,085,740</u>	<u>2,216,374</u>
Total borrowings	<u>2,155,506</u>	<u>2,284,737</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 (2020: 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 2020: Group's senior debt, plus margin).

The bank loan is classified as 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 2020: LIBOR).

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

17 Borrowings (continued)

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.

LIBOR will be discontinued after the end of 2021, as part of global financial regulators' project to reform interest rate benchmarks. 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. Where necessary, 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.

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	66,497	58,969
In more than two years but not more than five years	1,075,841	1,175,481
In more than five years	943,402	981,924
	<u>2,085,740</u>	<u>2,216,374</u>

18 Reconciliation of liabilities arising from financing activities**30 June 2021**

	As at 31 December 2020 £'000	Non-cash finance expense £'000	Cash Flows payments £'000	As at 30 June 2021 £'000
Financing activities attributable to:				
Eversholt Rail Limited (term Loan)	1,322,361	28,354	(59,380)	1,291,335
Eversholt Rail Limited	956,281	28,466	(126,703)	858,044
Bank Loan	6,095	32*	-	6,127
	<u>2,284,737</u>	<u>56,852</u>	<u>(186,083)</u>	<u>2,155,506</u>

* £32,000 (30 June 2020: £57,000) relates to capitalised interest transferred to Property, plant and equipment (see note 12).

30 June 2020

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

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

19 Deferred tax

Deferred tax liabilities are offset against deferred tax assets where the relevant criteria are met. The following is the analysis of the deferred tax balances

	30 June 2021 £'000	31 December 2020 £'000
Deferred tax liabilities	<u>109,295</u>	<u>81,793</u>

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

	Capital Allowances £'000	Fair value on derivatives £'000	Prior year adjustments £'000	Total £'000
At 1 January 2020	75,503	(2,071)	(1,580)	71,852
(Credit)/charge to Income statement	(6,324)	3,847	-	(2,477)
Debit to Other comprehensive income	-	-	2,017	2,017
Effect of change in tax rate:				
- Income statement	8,907	(244)	-	8,663
- Credit other comprehensive income	-	-	(185)	(185)
Prior year adjustments	4,137	(2,223)	9	1,923
At 31 December 2020	<u>82,223</u>	<u>(691)</u>	<u>261</u>	<u>81,793</u>
Charge to income statement	1,371	-	-	1,371
Credit to other comprehensive income	-	-	(100)	(100)
Effect of change in tax rate:				
- Income statement	26,398	(218)	-	26,180
- Other comprehensive income	-	-	51	51
At 30 June 2021	<u>109,992</u>	<u>(909)</u>	<u>212</u>	<u>109,295</u>

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 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.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

20 Derivative financial instruments

The Company held foreign exchange forward contracts during 2020 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 were part of hedge accounting relationships and settled by 31 December 2020.

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
Current liabilities			
FX forward contracts – hedge accounted	-	-	-

31 December 2020

	Notional Amount £'000	Fair value amount £'000	Change in fair value used for calculating hedge ineffectiveness £'000
Current liabilities			
FX forward contracts – hedge accounted	-	-	458

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

Movement in fair value of Derivative financial instruments

	Current hedge accounted £'000	Terminated hedge accounted £'000	Total £'000
Balance at 1 January 2021			
Unrealised gain through the income statement – hedge ineffectiveness	-	-	-
Unrealised gain through other comprehensive expense	-	-	-
Balance at 30 June 2021	-	-	-
Balance at 1 January 2020	(458)	-	(458)
Unrealised gain through the income statement – hedge ineffectiveness	2	-	2
Unrealised gain through other comprehensive expense	456	-	456
Balance at 31 December 2020	-	-	-

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

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

	Current hedge accounted £'000	Terminated hedge accounted £'000	Total £'000
Balance as at 1 January 2021	(1,113)		(1,113)
Unrealised gain through other comprehensive expense	-	-	-
Revaluation of EUR cash deposits through other comprehensive income	-	-	-
Release to property, plant and equipment	524		524
Income tax on other comprehensive expense	(49)	-	(49)
Balance as at 30 June 2021	(638)	-	(638)
Balance at 1 January 2020	7,598	72	7,670
Unrealised gain through other comprehensive expense	(456)	-	(456)
Revaluation of EUR cash deposits through other comprehensive income	1,287	-	1,287
Release to property, plant and equipment	(11,359)	(87)	(11,446)
Income tax on other comprehensive expense	1,817	15	1,832
Balance as at 31 December 2020	(1,113)	-	(1,113)

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.

In relation to period ended 30 June 2020:

- The designated hedges were deemed highly effective.
- Hedge ineffectiveness of £2,000 gain comprised the difference between the change in the fair value of the:
 1. hedged item used as a basis of recognising hedge ineffectiveness of £594,000 loss; and
 2. forward foreign exchange contracts used as a basis of recognising hedge ineffectiveness of £596,000 gain.

During the period a gain of £524,000 (2020: a loss of £11,446,000) 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 £nil (2020: £1,287,000) 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 2021 £'000	31 December 2020 £'000
Authorised, allotted, called up and fully paid		
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.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

22 Capital commitments

In respect of rolling stock capital expenditure

	30 June 2021 £'000	31 December 2020 £'000
Authorised and contracted	49,908	48,777

The above represents all capital commitments.

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 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 on the Company assets and liabilities are analysed below by their contractual due date, including estimated interest cash flows where appropriate. Undiscounted cash flows in respect of the intercompany loans with other entities include the principal amount only, due to the uncertainty of intercompany movements and of interest estimation. Interest on intercompany loans is settled as part of intercompany cash movements.

	Carrying value £'000	Total undiscounted cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
30 June 2021						
Financial assets						
Amortised cost:						
Trade and other receivables	15,639	15,639	-	15,639	-	-
Cash and cash deposits	12,743	12,743	12,743	-	-	-
	28,382	28,382	12,743	15,639	-	-
Financial liabilities						
Amortised cost:						
Trade and other payables	38,211	38,211	-	38,211	-	-
Intercompany term lending	1,291,335	1,751,705	-	118,760	475,039	1,157,906
Intercompany loan	858,044	858,044	-	-	858,044	-
Bank loan	6,127	6,127	-	6,127	-	-
	2,193,717	2,654,087	-	163,098	1,333,083	1,157,906
Total financial instruments	(2,165,335)	(2,625,705)	12,743	(147,459)	(1,333,083)	(1,157,906)
31 December 2020						
Financial assets						
Amortised cost:						
Trade and other receivables	11,927	11,927	-	11,927	-	-
Cash and cash deposits	16,438	16,438	16,438	-	-	-
	28,365	28,365	16,438	11,927	-	-
Financial liabilities						
Amortised cost:						
Trade and other payables	37,192	37,192	-	37,192	-	-
Intercompany term lending	1,322,361	1,811,085	-	118,760	475,039	1,217,286
Intercompany loan	956,281	956,281	-	-	956,281	-
Bank loan	6,095	6,095	-	6,095	-	-
	2,321,929	2,810,653	-	162,047	1,431,320	1,217,286
Total financial instruments	(2,293,564)	(2,782,288)	16,438	(150,120)	(1,431,320)	(1,217,286)

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

24 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	Fair value		
		£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets					
Amortised cost					
Trade and other receivables	13	15,639			
Cash and cash deposits	14	12,743			
Total Financial assets		28,382			
Financial liabilities					
Amortised cost					
Trade and other payables	15	38,211			
Intercompany term lending	17	1,291,335			
Intercompany loan	17	858,044			
Bank loan	17	6,127			
Total Financial liabilities		2,193,717			
Total Financial instruments		(2,165,335)			
31 December 2020	Note	Carrying amount	Fair value		
		£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets					
Amortised cost					
Trade and other receivables	13	11,927			
Cash and cash deposits	14	16,438			
Total Financial assets		28,365			
Financial liabilities					
Amortised cost					
Trade and other payables	15	37,192			
Intercompany term lending	17	1,322,361			
Intercompany loan	17	956,281			
Bank loan	17	6,095			
Total Financial liabilities		2,321,929			
Total Financial instruments		(2,293,564)			

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 2021 (31 December 2020: £nil).

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

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:

	30 June 2021 £'000	31 December 2020 £'000
Within one year	290,197	406,896
1-2 years	175,386	245,430
2-3 years	98,750	142,716
3-4 years	67,596	124,546
4-5 years	6,248	29,508
Over 5 years	14,960	23,057
	<u>653,137</u>	<u>972,153</u>
Aggregate operating lease rentals receivable in the period/year	<u>209,804</u>	<u>456,272</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
- 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 parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member is. UK Rails S.A.R.L. The immediate parent is European Rail Finance Holdings Limited.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2021

27 Related-party transactions (continued)

27.2 Transactions with related parties

Dividend income and dividends paid are more fully described in note 10. The Company has loans with related parties, more fully described in note 17. Interest on the loans, together with finance charges payable, is more fully described in note 6.

The Company paid management fees to Eversholt Rail Limited of £10,264,000 (6 months ended 30 June 2020: £10,241,000).

The Company paid Eversholt Rail Limited £24,023,000 for the procurement of maintenance of the rolling stock (6 months ended 30 June 2020: £54,049,000).

Eversholt Funding plc charged transaction fees £733,000 to the Company (6 months ended 30 June 2020: £250,000).

28 Contingent liabilities

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

29 Subsequent events

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