

Eversholt Rail Limited

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

Registered No: 06953114

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	
	Note	30 June 2021 £'000	30 June 2020 £'000
Revenue			
Maintenance income	4.1	24,392	21,314
Service fee income	4.1	10,372	10,353
Other income	4.1	1,691	1,651
Total revenue		<u>36,455</u>	<u>33,318</u>
Cost of sales	5	(25,059)	(16,708)
Gross profit		<u>11,396</u>	<u>16,610</u>
Finance income	6	59,648	63,549
Finance expense	7	(55,658)	(59,392)
Administrative expense	8	(11,791)	(9,583)
Other gains	4.1	-	11,354
Profit before tax		<u>3,595</u>	<u>22,538</u>
Income tax charge	11	(5,791)	(4,202)
(Loss)/profit for the period		<u>(2,196)</u>	<u>18,336</u>

There were no discontinued or discontinuing operations during the period.

The notes on pages 6 to 22 form an integral part of these financial statements.

Condensed statement of comprehensive income

for the 6 months ended 30 June 2021

		6 months ended	
	Note	30 June 2021 £'000	30 June 2020 £'000
(Loss)/profit for the period		(2,196)	18,336
Other comprehensive income			
Effect of deferred tax rate change on loss of defined benefit scheme	15	535	130
Total comprehensive (expense)/income for the period		<u>(1,661)</u>	<u>18,466</u>

Amounts credited to other comprehensive income together with related tax effects are expected to be recycled through reserves in future years.

Condensed statement of financial position

as at 30 June 2021

	Note	30 June 2021 £'000	31 December 2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	367	467
Right-of-use assets	14	1,737	1,964
Deferred tax	15	3,406	2,591
Amounts owed by group undertakings	16	<u>2,198,002</u>	<u>2,364,906</u>
		<u>2,203,512</u>	<u>2,369,928</u>
Current assets			
Inventory	17	227	302
Trade and other receivables	18	16,998	2,548
Contract assets	4.2	1,056	2,037
Amounts owed by group undertakings	16	63,639	62,268
Cash and cash equivalents	19	137,369	61,965
Current tax		<u>15,484</u>	<u>11,129</u>
		<u>234,773</u>	<u>140,249</u>
Total assets		<u>2,438,285</u>	<u>2,510,177</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	20	29,623	25,151
Lease liabilities	21	561	744
Borrowings	22	74,540	60,620
		<u>104,724</u>	<u>86,515</u>
Non-current liabilities			
Retirement benefit obligations		8,915	8,915
Lease liabilities	21	1,988	2,153
Borrowings	22	2,101,835	2,188,760
Contract liabilities	4.2	52,014	53,364
Provisions	23	165	165
		<u>2,164,917</u>	<u>2,253,357</u>
Total liabilities		<u>2,269,641</u>	<u>2,339,872</u>
Equity			
Share capital	24	100,000	100,000
Retained earnings		<u>68,644</u>	<u>70,305</u>
Total equity		<u>168,644</u>	<u>170,305</u>
Total equity and liabilities		<u>2,438,285</u>	<u>2,510,177</u>

The notes on pages 6 to 22 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: 06953114

Condensed statement of cash flows

for the 6 months ended 30 June 2021

	Note	6 months ended	
		30 June 2021 £'000	30 June 2020 £'000
Cash flow from operating activities			
Profit before tax		3,595	22,538
Adjustments for:			
- Depreciation of property, plant and equipment	8	111	118
- Depreciation of right-of-use assets	8	227	250
- Write down of inventory	8	75	105
- Finance income	6	(59,648)	(63,549)
- Finance expense	7	55,658	59,392
- Other gains	4.1	-	(11,354)
- Adjustment for non-cash element of pension charge		-	130
Operating cash flow before changes in working capital		18	7,630
Increase in trade and other receivables	18	(14,450)	(17,404)
Decrease in contract assets	4.2	981	1,946
Increase/(decrease) in trade and other payables	20	4,472	(6,046)
(Decrease)/increase in contract liabilities	4.2	(1,350)	30,789
Decrease in provision	23	-	(36)
Cash (utilised in)/generated by operating activities		(10,329)	16,879
Tax paid		(10,426)	(25,431)
Net cash utilised in operating activities		(20,755)	(8,552)
Cash flow from investing activities			
Acquisition of property, plant and equipment	13	(11)	(228)
Movement in term lending to Eversholt Rail Leasing Limited	25	59,380	59,379
Movement in lending to other group undertakings	25	165,713	107,651
Net cash generated by investing activities		225,082	166,802
Cash flow from financing activities			
Movement in intercompany loan borrowings	25	(127,876)	195,890
Repayment of lease liability	21	(376)	(393)
Finance income received	6	88	37
Finance expense paid	7	(759)	(813)
Net cash (utilised in)/generated by financing activities		(128,923)	194,721
Net movement in cash and cash equivalents		75,404	352,971
Cash and cash equivalents at the beginning of the period		61,965	15,809
Cash and cash equivalents at end of the period	19	137,369	368,780

Condensed statement of changes in equity

for the 6 months ended 30 June 2021

	<i>Note</i>	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020	24	100,000	56,327	156,327
Profit for the period		-	18,336	18,336
Effect of deferred tax rate change on loss of defined benefit scheme	15	-	130	130
Total comprehensive income for the period		-	18,466	18,466
Balance at 30 June 2020	24	<u>100,000</u>	<u>74,793</u>	<u>174,793</u>
Balance at 1 January 2021	24	100,000	70,305	170,305
Loss for the period		-	(2,196)	(2,196)
Effect of deferred tax rate change on loss of defined benefit scheme	15	-	535	535
Total comprehensive income for the period		-	(1,661)	(1,661)
Balance at 30 June 2021	24	<u>100,000</u>	<u>68,644</u>	<u>168,644</u>

No dividend was paid in the period (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 Limited (the “Company”) is a private company incorporated in England and Wales and is limited by shares (see note 24). 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 (“Group”) excluding Eversholt UK Rails Limited (see note 29.1).

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 Rail Limited have been prepared on the historical cost basis, except for the revaluation of derivative financial statements.

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 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, ERMA (Emergency Recovery Measures

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2021

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

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 this condensed interim financial report 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 22.

4 Revenue from contracts with customers**4.1 Revenue Information**

The Company generates revenue primarily from the provision of maintenance services. Total income can be analysed as follows:

	6 months ended	
	30 June 2021	30 June 2020
	£'000	£'000
Revenue from contracts with customers - Maintenance income	24,392	21,314
Service fee income	10,372	10,353
Other income	1,691	1,651
	<u>36,455</u>	<u>33,318</u>

Maintenance income from contracts with customers arises wholly in the UK and is recognised as services are provided over time. Revenue (and the terms of payments by customers) is determined by reference to transaction prices within formal contracts between the Company and its customers which are adjusted periodically by reference to pricing indices.

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2021

4 Revenue from contracts with customers (continued)**4.1 Revenue Information (continued)**

Maintenance revenue is recognised over time, when control of the service is transferred to the customer. This is measured by reference to consideration specified in the contract with a customer and maintenance expenditure incurred (i.e. applying an input method, regarded by the Company as being representative of work performed and therefore performance obligations being satisfied). Contract liabilities are expected to be recognised as revenue over the course of contracts (which are typically 10 years or less), as expenditure is incurred.

The transaction price allocated to (partially) unsatisfied performance obligations at 30 June 2021 is set out below.

As maintenance expenditure is incurred, the Company expects that these performance obligations will be satisfied in the following years:

	30 June 2021	31 December 2020
	£'000	£'000
Within 1 year	15,762	43,556
1-5 years	116,342	98,192
	<u>132,104</u>	<u>141,748</u>

Service fee income and Other income relate to the provision in the UK of asset management and consultancy services to Group and external customers respectively. Revenue is recognised over time as services are provided (when the customers receive the benefit), as determined by reference to transaction prices agreed with customers. There are no contract balances or trade receivables held in relation to this activity.

There are no outstanding performance obligations in relation to Group customers.

Performance obligations expected to be fulfilled in relation to external customers:

	30 June 2021	31 December 2020
	£000	£000
Within 1 year	1,600	3,255
1-2 years	1,600	3,255
2-5 years	5,800	10,764
> 5 years	15,600	33,360
Total	<u>24,600</u>	<u>50,634</u>

In 2020's Condensed Income statement, Other income included the gain of £11,354,000 arising on the part repayment of a loan from Eversholt Funding plc – see note 22. In preparing the comparatives to 2021 Condensed Income statement, this gain has been separately identified as "Other gains" and "Other income" restated accordingly.

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2021

4 Revenue from contracts with customers (continued)**4.2 Contract Balances**

Contract assets, contract liabilities and trade receivables are as follows:

	30 June 2021 £'000	30 December 2020 £'000	1 January 2020 £'000
Contract assets	1,056	2,037	4,568
Contract liabilities	52,014	53,364	23,996
Trade receivables	633	534	116

Current period movements on these amounts can be attributed to normal business activity (i.e. the recognition of revenue; maintenance expenditure incurred and which will be recovered in future; amounts invoiced; and consideration for services received in advance of performing the maintenance activity).

The contract assets relate to the Company's rights to consideration for services provided but not billed at the reporting date. The contract assets are reduced as the customer is billed for services in accordance with the contracted billing profile and any necessary performance obligation is satisfied.

The contract liabilities relate to consideration received from customers for maintenance of rolling stock in advance of related services being provided.

The amount of £53,364,000 (2020: £23,996,000) recognised in contract liabilities at the beginning of the year will be substantially recognised as revenue in 2021.

5 Cost of sales

	6 months ended	
	30 June 2021 £'000	30 June 2020 £'000
Maintenance cost	<u>(25,059)</u>	<u>(16,708)</u>

6 Finance income

	6 months ended	
	30 June 2021 £'000	30 June 2020 £'000
Bank interest	88	37
Interest receivable on intercompany loan accounts	31,206	33,682
Interest receivable on term loan to Eversholt Rail Leasing Limited	28,354	29,830
	<u>59,648</u>	<u>63,549</u>

Finance income represents income on financial assets carried at amortised cost.

7 Finance expense

	6 months ended	
	30 June 2021 £'000	30 June 2020 £'000
Interest payable to Eversholt Funding plc*	(54,871)	(58,543)
Fees payable	(759)	(813)
Lease liability interest	(28)	(36)
	<u>(55,658)</u>	<u>(59,392)</u>

* This represents finance expense in relation to financial liabilities carried at amortised cost.

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2021

8 Administrative expense

Administrative expense includes:

	6 months ended	
	30 June 2021	30 June 2020
	£'000	£'000
Foreign exchange gain	1	8
Depreciation – Fixtures, fittings and equipment	(111)	(118)
Depreciation – Right-of-use assets	(227)	(250)
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	(81)	(75)
Inventory charge	(75)	(105)
Defined contribution pension costs	(396)	(385)

9 Staff numbers and costs

The average number of persons employed by the Company, including Directors, during the period was as follows:

	6 months ended	
	30 June 2021	30 June 2020
Directors	5	5
Operations	46	50
Administration	51	53
	<u>102</u>	<u>108</u>

The aggregate payroll costs of these persons were as follows:

	6 months ended	
	30 June 2021	30 June 2020
	£'000	£'000
Wages and salaries	(6,154)	(5,354)
Social security costs	(792)	(711)
Contributions to defined contribution pension scheme	(396)	(385)
Defined benefit pension scheme service cost	(98)	(102)
	<u>(7,440)</u>	<u>(6,552)</u>

10 Directors' emoluments

	6 months ended	
	30 June 2021	30 June 2020
	£'000	£'000
Directors' emoluments for services to the Company	<u>(1,676)</u>	<u>(1,505)</u>
Number of Directors who are active members of a defined benefit pension scheme	<u>1</u>	<u>1</u>

Directors' emoluments in the 6 months ended 30 June 2021 includes £nil in respect of prior periods. The pension contributions paid by the Company in respect of the highest paid Director for the year were £nil (period ended 30 June 2020: £nil).

The accrued pension contributions paid by the Company in respect of the highest paid Director for the year were £nil (2020: £nil).

None of the Directors has any share options or interests in the share capital of the Company. The Directors are the only key management personnel.

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2021

11 Income tax charge

		6 months ended	
	Note	30 June 2021 £'000	30 June 2020 £'000
Current tax			
UK Corporation tax on current year profit		(686)	(4,289)
Adjustment in respect of prior years		(5,385)	-
		<u>(6,071)</u>	<u>(4,289)</u>
Deferred tax			
Origination and reversal of temporary differences	15	(2)	1
Effect of rate change		282	86
		<u>280</u>	<u>87</u>
		<u>(5,791)</u>	<u>(4,202)</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 "effect of rate change" shown in the above analysis.

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 £'000	30 June 2020 £'000
Profit before tax	3,595	22,538
Taxation at UK corporation tax rate of 19% (2020: 19%)	(683)	(4,282)
Amounts not deductible for tax purposes	(5)	(6)
Adjustment in respect of prior years	(5,385)	-
Effect of rate change	282	86
Income tax charge	<u>(5,791)</u>	<u>(4,202)</u>

12 Dividends

No dividend was paid in the period 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

13 Property, plant and equipment

	Fixtures and fittings £'000	Equipment £'000	Total £'000
Cost			
Balance at 1 January 2020	1,307	1,941	3,248
Additions	25	340	365
Disposals	-	-	-
Balance at 31 December 2020	<u>1,332</u>	<u>2,281</u>	<u>3,613</u>
Additions	-	11	11
Disposals	-	-	-
Balance at 30 June 2021	<u>1,332</u>	<u>2,292</u>	<u>3,624</u>
Depreciation			
Balance at 1 January 2020	1,307	1,593	2,900
Charge for the year	4	242	246
Disposals	-	-	-
Balance at 31 December 2020	<u>1,311</u>	<u>1,835</u>	<u>3,146</u>
Charge for the period	3	108	111
Disposals	-	-	-
Balance at 30 June 2021	<u>1,314</u>	<u>1,943</u>	<u>3,257</u>
Net carrying value			
Carrying value at 30 June 2021	<u>18</u>	<u>349</u>	<u>367</u>
Carrying value at 31 December 2020	<u>21</u>	<u>446</u>	<u>467</u>

All assets have been pledged to secure borrowings of the Security Group. The Company is not permitted to pledge these assets as security for other borrowings and is restricted over the use of proceeds of sale.

14 Right-of-use assets

	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
As at 1 January 2020	2,436	17	2,453
Additions	-	-	-
Depreciation charge	(482)	(7)	(489)
As at 31 December 2020	<u>1,954</u>	<u>10</u>	<u>1,964</u>
Additions	-	-	-
Depreciation charge	(223)	(4)	(227)
As at 30 June 2021	<u>1,731</u>	<u>6</u>	<u>1,737</u>

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2021

15 Deferred tax asset

Deferred tax assets and liabilities are offset 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 assets	<u>3,406</u>	<u>2,591</u>

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

	Capital Allowances £000's	Provision £000's	IFRS 16 Impact £000's	Retirement benefit obligations £000's	Total £000's
At January 2020	137	423	186	1,107	1,853
(Charge)/credit to income statement	(2)	(1)	(39)	65	23
Credit to other comprehensive income	-	-	-	391	391
Effect of change in tax rate:					
- Income statement	14	51	22	-	87
- Other comprehensive income	-	-	-	130	130
Prior year adjustments	(1)	108	-	-	107
At 31 December 2020	<u>148</u>	<u>581</u>	<u>169</u>	<u>1,693</u>	<u>2,591</u>
Credit/(charge) to income statement	1	(3)	-	-	(2)
Effect of change in tax rate:					
- Income statement	48	181	53	-	282
- Other comprehensive income	-	-	-	535	535
At 30 June 2021	<u>197</u>	<u>759</u>	<u>222</u>	<u>2,228</u>	<u>3,406</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 "effect of change in tax rate" shown in the above analysis.

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2021

16 Amounts owed by group undertakings

	30 June 2021 £'000	31 December 2020 £'000
Current		
Term lending to Eversholt Rail Leasing Limited	<u>63,639</u>	<u>62,268</u>
Non-current		
Eversholt Finance Holdings Limited*	24	24
European Rail Finance (2) Limited*	19,453	19,674
Eversholt Funding plc	67,288	83,344
Eversholt Investment Limited	22,956	42,173
Eversholt Depot Finance Limited	2,541	3,317
Eversholt Rail Leasing Limited	858,044	956,281
Term lending to Eversholt Rail Leasing Limited	<u>1,227,696</u>	<u>1,260,093</u>
	<u>2,198,002</u>	<u>2,364,906</u>

*No interest is charged on these loans.

The term loan with Eversholt Rail Leasing 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 loans with other entities are classified as non-current as they are repayable on 4 November 2023. Borrowing entities may prepay and redraw loans until the repayment date. Interest on the loans are receivable 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).

17 Inventory

	30 June 2021 £'000	31 December 2020 £'000
Rolling stock spares	<u>227</u>	<u>302</u>

Write down in the value of inventories recognised within administrative expenses in the Income statement is an expense amounting to £75,000 (6 months to 30 June 2020: £105,000). Stock is measured at the lower of cost and net realisable value.

All assets have been pledged to secure borrowings of the Security Group. The Company is not permitted to pledge these assets as security for other borrowings and is restricted over the use of proceeds of sale.

18 Trade and other receivables

	30 June 2021 £'000	31 December 2020 £'000
Trade receivables	633	534
Other receivables	15,310	1,542
Overheads prepayment	1,055	472
	<u>16,998</u>	<u>2,548</u>

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2021

19 Cash and cash equivalents

	30 June 2021 £'000	31 December 2020 £'000
Cash	137,369	61,965
Cash and cash equivalents	137,369	61,965

20 Trade and other payables

	30 June 2021 £'000	31 December 2020 £'000
Trade payables	2,791	1,120
Other payables	12,758	9,776
Maintenance and administrative accruals	14,074	14,255
	29,623	25,151

21 Lease liabilities

	Land and buildings £'000	Plant and Equipment £'000	Total £'000
Cost			
As at 1 January 2021	2,877	20	2,897
Interest charge	28	-	28
Payments	(372)	(4)	(376)
As at 30 June 2021	2,533	16	2,549

	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
As at 1 January 2020	3,576	18	3,594
Additions	-	-	-
Interest charge	67	2	69
Payments	(766)	-	(766)
Balance at 31 December 2020	2,877	20	2,897

Total lease liabilities can be analysed as follows:

	30 June 2021 £'000	31 December 2020 £'000
Current	561	744
Non current	1,988	2,153
	2,549	2,897

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2021

21 Lease liabilities (continued)**Maturity of lease liabilities**

The maturity profile of the Company's undiscounted lease liabilities at 30 June 2021 was as follows

	30 June 2021 £'000	31 December 2020 £'000
Current	<u>606</u>	<u>802</u>
In more than one year but not more than two years	744	559
In more than two years but not more than five years	<u>1,302</u>	<u>1,677</u>
Non-Current	<u>2,046</u>	<u>2,236</u>

22 Borrowings

	30 June 2021 £'000	31 December 2020 £'000
Current		
Intercompany accrued interest - Eversholt Funding plc	20,328	20,693
Eversholt Funding plc	<u>54,212</u>	<u>39,927</u>
	<u>74,540</u>	<u>60,620</u>
Non-Current		
European Rail Finance Limited	73,177	69,631
Eversholt Funding plc	1,905,025	1,930,422
European Rail Finance Holdings Limited	123,503	188,554
Eversholt UK Rails (Holding) Limited	<u>130</u>	<u>153</u>
	<u>2,101,835</u>	<u>2,188,760</u>
Total borrowings	<u>2,176,375</u>	<u>2,249,380</u>

The loans with European Rail Finance Limited, Eversholt UK Rails (Holding) Limited and European Rail Finance Holdings Limited are repayable on 4 November 2023. The Company may prepay and redraw its loan until the repayment date, interest is payable monthly at LIBOR, less margin (31 December 2020: LIBOR, less margin).

The loan from Eversholt Funding plc reflects the terms of the Group's senior debt.

In 2020, part of this loan was repaid through the issue of a new loan. This part repayment was accounted for as a loan modification and not as an extinguishment of the original loan and issue of a new loan under IFRS 9 Financial Instruments. This was on the basis that the terms of the loan had not substantially changed. Accordingly, the carrying value of the existing loan was restated to equal the present value of modified cash flows, giving rise to a gain of £11,354,000 recognised in the Income statement. The revised cash flows were discounted at the effective interest rate associated with the original loan which equated to a carrying value of £117,300,000 included in non-current borrowings above.

The Security Group has granted a fixed and floating charge over all of its assets to secure the borrowings of the Security Group. The Company is not permitted to pledge these assets as security for other borrowings and is restricted over the use of proceeds of sale.

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2021

22 Borrowings (continued)**Replacement of LIBOR as an interest rate benchmark**

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. Instruments impacted will be borrowings, as described in this note. 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 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	591,506	651,325
In more than five years	1,456,117	1,483,223
	<u>2,101,835</u>	<u>2,188,760</u>

23 Provisions

	30 June 2021 £'000	31 December 2020 £'000
Non-current	165	165
	<u>165</u>	<u>165</u>

Provision relates to dilapidations on leased office buildings. Contractual amounts are due to be incurred within the term of lease which ends in June 2025.

	30 June 2021 £'000	31 December 2020 £'000
Balance at beginning of the period	165	201
Utilised	-	(36)
Balance at end of the period	<u>165</u>	<u>165</u>

24 Share capital

	30 June 2021 £'000	31 December 2020 £'000
Authorised, allotted, called up and fully paid 100,000,002 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</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

for the 6 months ended 30 June 2021

25 Reconciliation of assets and liabilities arising from investing and financing activities

	As at 31 December 2020	Non-cash finance (income)/ expense	Cash Flows receipts/ (payments)	As at 30 June 2021
	£'000	£'000	£'000	£'000
Investing/financing activities attributable to:				
Assets				
Amounts owed by Eversholt Rail Leasing Limited	(1,322,361)	(28,354)	59,380	(1,291,335)
Amounts owed by group undertakings	(1,104,813)	(31,206)	165,713	(970,306)
	<u>(2,427,174)</u>	<u>(59,560)</u>	<u>225,093</u>	<u>(2,261,641)</u>
Liabilities				
Intercompany loan accounts	279,031	53,162	(115,055)	217,138
Loan from Eversholt Funding plc	1,970,349	1,709	(12,821)	1,959,237
Borrowings	<u>2,249,380</u>	<u>54,871</u>	<u>(127,876)</u>	<u>2,176,375</u>

	As at 31 December 2019	Non-cash finance (income)/ expense	Cash Flows receipts/ (payments)	As at 30 June 2020
	£'000	£'000	£'000	£'000
Investing/financing activities attributable to:				
Assets				
Amounts owed by Eversholt Rail Leasing Limited	(1,381,790)	(29,830)	59,379	(1,352,241)
Amounts owed by group undertakings	(1,225,133)	(33,682)	107,651	(1,151,164)
	<u>(2,606,923)</u>	<u>(63,512)</u>	<u>167,030</u>	<u>(2,503,405)</u>
Liabilities				
Intercompany loan accounts	375,173	58,543	(59,159)	374,557
Loan from Eversholt Funding plc	2,025,000	(11,354)	255,049	2,268,695
Borrowings	<u>2,400,173</u>	<u>47,189</u> *	<u>195,890</u>	<u>2,643,252</u>

* Includes £11,354,000 gain resulting from the refinancing of intercompany loans (see note 22)

26 Retirement benefit obligations

There has been no change in retirement benefit obligations from 31 December 2020, other than the increase in the carrying value of the related deferred tax asset, attributable to the change in corporation tax rate – see note 15.

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

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2021

27 Risk management (continued)

	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						
Intercompany loans	970,306	970,306	-	-	970,306	-
Intercompany term lending	1,291,335	1,751,705	-	118,760	475,039	1,157,906
Trade and other receivables	16,998	16,998	-	16,998	-	-
Cash and cash equivalents	137,369	137,369	62,369	75,000	-	-
	<u>2,416,008</u>	<u>2,876,378</u>	<u>62,369</u>	<u>210,758</u>	<u>1,445,345</u>	<u>1,157,906</u>
Financial liabilities						
Amortised cost						
Trade and other payables	29,623	29,623	-	29,623	-	-
Intercompany loans	196,810	196,810	-	-	196,810	-
Intercompany term lending	1,979,565	2,806,255	-	139,062	793,380	1,873,813
	<u>2,205,998</u>	<u>3,032,688</u>	<u>-</u>	<u>168,685</u>	<u>990,190</u>	<u>1,873,813</u>
Total financial instruments	210,010	(156,310)	62,369	42,073	455,155	(715,907)
31 December 2020						
Financial assets						
Amortised cost						
Intercompany loans	1,104,813	1,104,813	-	-	1,104,813	-
Intercompany term lending	1,322,361	1,811,085	-	118,760	475,039	1,217,286
Trade and other receivables	2,548	2,548	-	2,548	-	-
Cash and cash equivalents	61,965	61,965	61,965	-	-	-
	<u>2,491,687</u>	<u>2,980,411</u>	<u>61,965</u>	<u>121,308</u>	<u>1,579,852</u>	<u>1,217,286</u>
Financial liabilities						
Amortised cost						
Trade and other payables	25,151	25,151	-	25,151	-	-
Intercompany loans	258,338	258,338	-	-	258,338	-
Intercompany term lending	1,991,042	2,861,937	-	125,446	807,160	1,929,331
	<u>2,274,531</u>	<u>3,145,426</u>	<u>-</u>	<u>150,597</u>	<u>1,065,498</u>	<u>1,929,331</u>
Total financial instruments	217,156	(165,015)	61,965	(29,289)	514,354	(712,045)

28 Financial Instruments

The intercompany fixed rate term loan from Eversholt Funding Plc represents fixed rate term loans with a carrying value of £1,559,000,000 and a fair value estimated to be £1,804,000,000 (31 December 2020: £1,893,000,000). The basis of this estimate is the market value of the external debt raised by Eversholt Funding plc and lent to the Company on mirror terms. Apart from intercompany term lending and fixed rate borrowings, there are no material differences between the carrying value and the fair value of financial assets and liabilities as at 30 June 2021 and 31 December 2020.

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2021

28 Financial Instruments (continued)

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					
Amounts owed by group undertakings	16	970,306			
Intercompany term lending Eversholt Rail Leasing Limited	16	1,291,335			
Trade and other receivables	18	16,998			
Cash and cash equivalents	19	137,369			
Total Financial assets		2,416,008			
Financial liabilities					
Amortised cost					
Trade and other payables	20	29,623			
Intercompany loans	22	196,810			
Intercompany fixed rate term loan from Eversholt Funding plc	22	1,898,528		2,197,288	
Intercompany borrowings from Eversholt Funding plc (other)	22	81,037			
Total Financial liabilities		2,205,998			
Total Financial instruments		210,010			
31 December 2020	Note	Carrying amount	Fair value		
		£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets					
Amortised cost					
Amounts owed by group undertakings	16	1,104,813			
Intercompany term lending Eversholt Rail Leasing Limited	16	1,322,361			
Trade and other receivables	18	2,548			
Cash and cash equivalents	19	61,965			
Total Financial assets		2,491,687			
Financial liabilities					
Amortised cost					
Trade and other payables	20	25,151			
Intercompany loans	22	258,338			
Intercompany fixed rate term loan from Eversholt Funding plc	22	1,870,349		2,299,672	
Intercompany borrowings from Eversholt Funding plc (other)	22	120,693			
Total Financial liabilities		2,274,531			
Total Financial instruments		217,156			

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2021

29 Related party transactions

29.1 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 Leasing 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 company is Eversholt Rail Leasing Limited.

29.2 Transactions with related parties

The Company has loans with related parties, more fully described in note 16 and 22. Interest on the loans is more fully described in note 6 and 7.

The Company has received fees for the provision of consultancy services to other Group companies as follows:

	6 months ended	
	30 June	30 June
	2021	2020
	£'000	£'000
Eversholt Rail Leasing Limited	10,264	10,241
Eversholt Depot Finance Limited	108	112
	<u>10,372</u>	<u>10,353</u>

The Company received £24,023,000 from Eversholt Rail Leasing Limited for the procurement of maintenance of rolling stock (6 months ended 30 June 2020: £54,049,000). During the 6 months ended 30 June 2020 the Company paid management fees of £8,000 to Eversholt Funding plc (6 months ended 30 June 2020: £8,000).

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2021

30 Contingent liabilities

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

31 Subsequent events

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

Unaudited