Eversholt Depot Finance Limited

Annual report and financial statements
for the year ended 31 December 2020

Registered No: 05229765

Annual report and financial statements
for the year ended 31 December 2020

Contents

Strategic report
for the year ended 31 December 2020

Business review

Eversholt Depot Finance Limited (the “Company”), earns both operating and finance lease income from leasing rolling stock depots.

The Company forms part of the Eversholt UK Rails Group (the “Group”) more fully described in note 21. 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 Eversholt Funding plc, a fellow Security Group company. The Security Group comprises the Group excluding Eversholt UK Rails Limited.

In the year the Company generated a profit of £680,000 (2019: £931,000). As at 31 December 2020 the Company had net assets of £10,639,000 (2019: £9,959,000).

Another group undertaking, Eversholt Rail Limited, provides asset management and administrative services to the Company, charging an annual management fee.

The business is funded principally by borrowing from another group undertaking and equity from its immediate parent. The Company has no employees.

Risk management

The Company is subject to the risk management objectives and policies of the Group. The risks relevant to the Company, together with an analysis of the exposure to such risks, are set out in note 18 of the financial statements.

COVID-19

The Directors have considered the potential impacts of COVID-19 upon the Company and its ability to meet commitments for a period of at least 12 months from the date when the financial statements are authorised for issue. The Company is exposed to the impacts of COVID-19 through its lease exposures and its relationships with fellow group undertakings, which are ultimately dependent on the viability of the Group’s rolling stock leasing business.

One area of potential impact upon the Group’s business is a threat to the viability of train operators due to passenger volume decline. This is largely mitigated by the UK Government’s Emergency Measures Agreements (“EMAs”) and subsequent Emergency Recovery Measures Agreements (“ERMAs”), through which support is provided to franchised passenger service operators in the short-term. 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, nor changes to risk management as described in note 18. 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.

Financial performance

The Company’s results for the financial year are detailed in the Income statement on page 11.

The Group manages its operations on a consolidated basis, therefore the Company’s Directors believe that further specific performance measures for the Company are not necessary or appropriate for an understanding of its performance. Performance measures for the Group are disclosed in the accounts of Eversholt UK Rails Limited.

Strategic report (continued)
for the year ended 31 December 2020

Business environment

The Directors monitor the business environment in which the Company operates from a group perspective and details of relevant matters, including the withdrawal of the United Kingdom from the European Union, potential UK rail industry changes and climate change, are disclosed in the financial statements of Eversholt UK Rails Limited.

Approved by the Board and signed on its behalf by:

M B Kenny
Director

Registered Office
210 Pentonville Road
London
N1 9JY
United Kingdom

1 March 2021

Directors report
for the year ended 31 December 2020

The Directors present their Annual report together with the audited financial statements for the year ended 31 December 2020.

Directors

The Directors who served during the year and up to the date of signing were as follows:

M B Kenny
A J Wesson
D Spence (appointed on 16 April 2020)
P M Sutherland (appointed on 16 April 2020)
L R Warsop (appointed on 16 April 2020)

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions in accordance with the Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors. The Directors have no interests in the share capital of the Company.

Streamlined energy and carbon reporting

In preparing the Directors' report, the Company has considered the 'Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018' (the "Regulations"), effective from 1 January 2020.

The Company does not consume any energy within the scope of the Regulations and therefore is excluded from disclosure. Meeting energy requirements of the Company's depot assets is the primary responsibility of the Company's customers, being the train and freight operating companies. The Company does not therefore consume any fuel/electricity/gas in relation to these assets.

The only company within the Eversholt UK Rails Group that consumes energy is Eversholt Rail Limited, from which the Company has received services during the year. Information required by the Regulations in respect of Eversholt Rail Limited is set out in its financial statements for the year ended 31 December 2020.

Future developments

No significant developments are currently anticipated, but the Directors keep opportunities under regular review.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2020 (2019: £nil).

Going concern basis

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 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, 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 the financial statements.

Directors' report (continued)
for the year ended 31 December 2020

Going concern basis (continued)

In reaching this conclusion, the Directors have also considered: the current financial position of the Security Group, which has cash of £81,500,000 and undrawn committed borrowing facilities of £600,000,000 as at 31 December 2020; 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 the financial statements are authorised for issue.

The potential impact of COVID-19 upon the business is described above in the Strategic report under the heading COVID-19.

Disclosure of information to the auditor

Each person who is a director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to Section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Approved by the Board and signed on its behalf by:

M B Kenny
Director

Registered Office
210 Pentonville Road
London
N1 9JY
United Kingdom

1 March 2021

Statement of Directors' responsibilities

for the year ended 31 December 2020

The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Company's annual financial statements were approved by the Board of Directors on 1 March 2021 and signed on their behalf by:

M B Kenny
Director

Registered Office
210 Pentonville Road
London
N1 9JY
United Kingdom

Independent Auditor's report to the Members of Eversholt Depot Finance Limited
for the year ended 31 December 2020

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Eversholt Depot Finance Limited (the 'company'):
- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of cash flows;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law, international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB and as adopted by the European Union.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's report to the Members of Eversholt Depot Finance Limited (continued)

for the year ended 31 December 2020

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

Independent Auditor's report to the Members of Eversholt Depot Finance Limited (continued)

for the year ended 31 December 2020

Auditor's responsibilities for the audit of the financial statements (continued)

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included International Financial Reporting Standards, UK Companies Act, pensions legislation, tax legislation etc; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Independent Auditor's report to the Members of Eversholt Depot Finance Limited (continued)

for the year ended 31 December 2020

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Suzanne Gallagher

Suzanne Gallagher FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading
United Kingdom

1 March 2021

Income statement
for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue			
Operating lease income	***20***	**2,489**	2,523
Finance lease income	***11***	**528**	586
Total revenue		**3,017**	3,109
Cost of sales	***4***	**(1,158)**	(1,157)
Gross profit		**1,859**	1,952
Finance expense	***5***	**(292)**	(499)
Administrative expense	**6**	**(246)**	(226)
Profit before tax		**1,321**	1,227
Income tax charge	***8***	**(641)**	(296)
Profit for the year		**680**	931

There were no discontinued or discontinuing operations during the year.

The notes on pages 15 to 29 form an integral part of these financial statements.

Statement of comprehensive income
for the year ended 31 December 2020

There has been no comprehensive income or expense other than the profit for the year as shown above (2019: £nil).

Statement of financial position
as at 31 December 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	***9***	**14,433**	15,396
Right-of-use assets	***10***	**1,656**	1,851
Finance lease receivables	***11***	**3,335**	4,419
		19,424	21,666
Current assets			
Finance lease receivables	***11***	**1,083**	997
		1,083	997
Total assets		**20,507**	22,663
Liabilities and equity			
Current liabilities			
Trade and other payables	***12***	**444**	436
Lease liabilities	***15***	**226**	75
Current tax		**614**	581
		1,284	1,092
Non-current liabilities			
Borrowings	***13***	**3,317**	5,999
Lease liabilities	***15***	**1,943**	2,316
Deferred tax	***16***	**3,324**	3,297
		8,584	11,612
Total liabilities		**9,868**	12,704
Equity			
Share capital	***17***	**5,000**	5,000
Retained earnings		**5,639**	4,959
Total equity		**10,639**	9,959
Total equity and liabilities		**20,507**	22,663

The notes on pages 15 to 29 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 1 March 2021. They were signed on its behalf by

A J Wesson
Director

Company registration number 05229765

Statement of cash flows
for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Cash flow from operating activities			
Profit before tax		**1,321**	1,227
Adjustments for:			
- Depreciation	*4*	**1,158**	1,157
- Finance expense	*5*	**292**	499
Operating cash flow before changes in working capital		**2,771**	2,883
Decrease in finance lease receivables		**998**	917
Decrease in trade and other receivables		**-**	33
Increase in trade and other payables		**8**	203
Cash flow generated by operating activities		**3,777**	4,036
Payment in respect of group relief		**(581)**	(1,199)
Net cash generated by operating activities		**3,196**	2,837
Cash flow from financing activities			
Movement in intercompany loan with Eversholt Rail Limited	*14*	**(2,927)**	(2,587)
Repayment of lease liability	*15*	**(269)**	(250)
Net cash utilised in financing activities		**(3,196)**	(2,837)
Net movement in cash and cash equivalents		**-**	-
Cash and cash equivalents at the beginning of the year		**-**	-
Cash and cash equivalents at the end of the year		**-**	-

Statement of changes in equity

for the year ended 31 December 2020

	Note	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019 as previously reported		5,000	4,480	9,480
Adjustment in respect of impact of adoption of IFRS 16 Leases		-	(544)	(544)
Income tax adjustment in respect of impact of adoption of IFRS 16 Leases		-	92	92
Restated balance at 1 January 2019		5,000	4,028	9,028
Total comprehensive income		-	931	931
Balance at 31 December 2019		**5,000**	**4,959**	**9,959**
Total comprehensive income		**-**	**680**	**680**
Balance at 31 December 2020		**5,000**	**5,639**	**10,639**

Notes to the annual financial statements
for the year ended 31 December 2020

1 General Information

Eversholt Depot Finance Limited is a private company incorporated in England and Wales and is limited by shares (see note 17). The registered office of the Company is 210 Pentonville Road, London, N1 9JY, United Kingdom.

2 Basis of Preparation

These financial statements are presented in £'000. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.1 Compliance with IFRSs

The financial statements of the Company have been prepared on the historical cost basis. These financial statements have been prepared in accordance with IFRSs as issued by the IASB and as endorsed by the European Union ("EU"). EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at this point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2020, there were no unendorsed standards effective for the year ended 31 December 2020 affecting these financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company. Accordingly, the financial statements of the Company for the year ended 31 December 2020 are prepared in accordance with IFRSs as issued by the IASB and endorsed by the EU.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the IFRS Interpretations Committee and its predecessor body.

2.2 Standards and Interpretations issued by the IASB

During the year, the Company adopted the following interpretations and amendments to standards which were EU endorsed during 2019 and 2020 and were effective for accounting periods beginning on or after 1 January 2020, unless otherwise indicated. They have no material effect on the financial statements:

- Amendments to IFRS 3 Business Combinations;
- Amendments to IAS 1 and IAS 8: Definition of Material;
- Amendments to References to the Conceptual Framework in IFRS Standards; and
- Amendment to IFRS 16 Leases COVID-19 Related Rent Concessions – effective from 1 June 2020.

At 31 December 2020, a number of standards and amendments to standards have been issued by the IASB, which are not effective for the Company's financial statements as at 31 December 2020. Subject to EU endorsement (unless otherwise stated), they are applicable for periods for the following accounting periods and are not anticipated to have a material impact on the financial statements:

Effective for accounting periods beginning on or after 1 January 2021:

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (endorsed December 2020); and
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2.

Effective for accounting periods beginning on or after 1 January 2022:

Amendments to:

- IFRS 3 Business Combinations;
- IAS 16 Property, Plant and Equipment;
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- Annual Improvements 2018-2020.

Effective for accounting periods beginning on or after 1 January 2023:

- IFRS 17 Insurance Contracts; including Amendments to IFRS 17; and
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date.

2 Basis of Preparation (continued)

2.3 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 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 the financial statements.

In reaching this conclusion, the Directors have also considered: the current financial position of the Security Group, which has cash of £81,500,000 and undrawn committed borrowing facilities of £600,000,000 as at 31 December 2020; 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 the 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 the financial statements are authorised for issue. The Company is exposed to the impacts of COVID-19 through its lease exposures and its relationships with fellow group undertakings, which are ultimately dependent on the viability of the Group's rolling stock leasing business.

One area of potential impact upon the Group's business is a threat to the viability of train operators due to passenger volume decline. This is largely mitigated by the UK Government's EMAs and subsequent ERMAs, through which support is provided to franchised passenger service operators in the short-term. 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 as described in note 18. 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 principal accounting policies adopted are set out below and have been applied consistently to all years presented in these financial statements.

3.1 Accounting for lease transactions

The Company as lessee

The Company assesses whether a contract contains a lease at contract inception and recognises a right-of-use asset and a corresponding lease liability for all lease arrangements, except for leases whose term does not exceed one year or leases of low valued items. For such leases, the Company recognises lease payments as an operating expense on a straight-line basis.

Notes to the annual financial statements (continued)

for the year ended 31 December 2020

3 Summary of significant accounting policies (continued)

3.1 Accounting for lease transactions (continued)

The Company as lessee (continued)

The lease liability is initially measured at the present value of outstanding lease payments at the commencement date, discounted at the rate implicit in the lease, or the Company's incremental borrowing rate if the implicit rate is not readily available. The incremental borrowing rate reflects the rate at which funds could be borrowed for a period equal to the lease term, where borrowing is secured on the leased asset.

Lease payments comprise of fixed payments. If applicable, lease payments also include:

- variable payments determined by an index or rate;
- amounts expected to be paid under a residual value guarantee;
- the exercise price of a purchase option, if reasonably certain that the option will be exercised; and
- any payment due on lease termination, if the lease term reflects such termination.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect lease payments.

The lease liability (with consequent adjustment to the right-of-use asset) is re-measured if:

- the lease term changes or there is a change in the assessment of whether a purchase option will be exercised – the liability is updated to equal the present value of the revised payments, using a revised discount rate at that time; or
- the lease payments change because of a change in the rate/index or expected residual value guarantee payment - the liability is updated to equal the present value of the revised payments, using the original discount rate. Revised discount rates are used if payment changes arise from a floating interest rate change; or
- a lease is modified and the change is not accounted for as a new lease – the liability is updated to equal the present value of the revised cashflows, using a revised discount rate.

The right-of-use asset comprises the initial measurement of the lease liability, lease payments made by lease commencement and any initial direct costs. Depreciated straight-line over the lease term, it is subsequently measured at cost less accumulated depreciation and impairment losses.

The Company as lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership to the lessee. Otherwise, the lease is classified as an operating lease.

The Company enters into operating lease arrangements as lessor with respect to depot assets which are depreciated straight line over their useful economic lives to their residual value and impaired appropriately to the extent that such assets' carrying value exceed their recoverable value (see policy in relation to property, plant and equipment).

If the Company is an intermediate lessor, it accounts for the headlease and the sublease as two separate arrangements. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising under the headlease.

Rental income from operating leases is recognised on a straight line basis over the lease term of the related lease. Initial direct costs incurred in negotiation and arranging an operating lease are added to the initial carrying amount of the lease asset and recognised straight line over the lease term.

Amounts due from lessees under a finance lease are recognised at an amount equal to the Group's net investment in the leases. Finance lease income is allocated to periods so as to reflect a constant periodic rate of return on the Group's net investment in respect of the lease.

3.2 Finance income and expense

Finance income and expense for all interest bearing non-derivative financial instruments is recognised in "Finance income" and "Finance expense" in the Income statement using the effective interest rate method.

3 Summary of significant accounting policies (continued)

3.2 Finance income and expense (continued)

The effective interest rate method is a way of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant periods.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability on initial recognition. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses.

The calculation includes all amounts paid or received by the Company that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

Finance expense also includes interest payable in relation to derivative instruments and lease liability interest.

3.3 Income tax

Income tax comprises current and deferred tax and is recognised in the Income statement.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the end of the reporting year and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the relevant entity intends to settle on a net basis and the legal right to offset exists.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the years in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the end of the reporting year.

3.4 Property, plant and equipment

In the normal course of business, property, plant and equipment are recognised at cost and are depreciated on a straight-line basis over their useful economic lives to their estimated residual value. The useful economic lives range from 23 to 35 years. Useful economic lives and carrying values are reviewed at least annually.

The depreciation charge is included in the Income statement as detailed in note 4.

The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income statement.

At each reporting date, the Company reviews the carrying value of the depot assets to determine whether there is any indication that the assets have suffered an impairment loss. In addition, the Company will review the various contractual break options which limit the Company's residual value exposure. If there is an indication that impairment exists, the recoverable amount of the asset is estimated to determine the extent of the impairment.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes to the annual financial statements (continued)

for the year ended 31 December 2020

3 Summary of significant accounting policies (continued)

3.4 Property, plant and equipment (continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. The impaired loss is recognised immediately in the Income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised immediately in the Income statement. The associated credit is recognised in the Income statement.

3.5 Financial instruments

Financial assets and financial liabilities are recognised in the Company's Statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Classification and measurement

Financial assets are classified and measured by reference to the business model in which assets are managed and their cash flow characteristics.

The Company holds the following classes of financial instruments:

Cash and cash equivalents

For the purpose of the Statement of cash flows, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition, and include cash.

Financial liabilities

Financial liabilities are initially measured at fair value less any transaction costs that are directly attributable to the purchase or issue. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method. The Company derecognises the financial liability when the obligations specified in the contract expire, are discharged or cancelled.

Impairment of financial assets

Allowance for lifetime expected credit losses ("ECL") is recognised for Trade and other receivables which result from transactions within the scope of IFRS 15 and which do not contain a significant financing component, as well as finance lease receivables. Finance lease receivables are outside of scope of IFRS 9 for classification and measurement.

12 month ECL allowance is carried for other financial assets carried at amortised cost where the credit risk has not increased significantly since the initial recognition. Where credit risk has increased significantly, lifetime ECL allowance will be carried.

Financial assets for which there is objective evidence of impairment, are considered to be in default or otherwise credit-impaired for disclosure purposes.

Financial assets (and the related impairment allowances) are written off, either partially or in full, when there is no realistic prospect of recovery. The amounts written off reflect the proceeds from realisation of any collateral underpinning the asset.

Restructuring/renegotiation of financial instruments

A financial asset or financial liability that is renegotiated/restructured is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified such that the renegotiated/restructured asset or liability is a substantially different financial instrument. The difference between the carrying value of the original agreement and the amount at which the new agreement is initially recognised, is reflected in the Income statement.

3 Summary of significant accounting policies (continued)

3.5 Financial instruments (continued)

Restructuring/renegotiation of financial instruments (continued)

Where the terms are not substantially different, the carrying value of the original (unmodified) instrument is replaced by the present value of the cashflows of the modified instrument, discounted at the effective interest rate of the original instrument. Any corresponding adjustment is recognised in the Income statement.

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Determination of fair value

All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration paid or received).

Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison to similar instruments where market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Where required, fair values are calculated by discounting future cash flows on financial instruments, using equivalent current interest rates.

3.6 Statement of cash flows

The Statement of cash flows has been prepared on the basis that, with the exception of tax related transactions which are classified under “Operating activities”, movements in intercompany balances are shown under the heading of “Financing activities”. Such movements arise ultimately from the Company’s financing activities, through which the Company will acquire resources intended to generate future income and cash flows.

3.7 Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets.

Dividends payable in relation to equity shares are recognised as a liability in the year in which they are declared.

3.8 Use of judgements, estimates and assumptions

In the application of the Company’s accounting policies, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

There are no accounting policies that are deemed critical to the Company’s results and financial position, in terms of materiality of the items to which the policy is applied, which involve a high degree of judgement and estimation. There are no sources of estimation uncertainty in the reporting year that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Notes to the annual financial statements (continued)
for the year ended 31 December 2020

4 Cost of sales

	2020 £'000	2019 £'000
Depreciation	**(1,158)**	(1,157)

5 Finance expense

	2020 £'000	2019 £'000
Interest payable to Eversholt Rail Limited	**(245)**	(447)
Lease liability interest	**(47)**	(52)
	(292)	(499)

6 Administrative expense

Administrative expense includes:	2020 £'000	2019 £'000
Management fees paid	**(219)**	(208)
Fees payable by Eversholt Rail Limited to the Company's auditor for the audit of the Company's annual financial statements	**(27)**	(18)

The Company has no employees and hence no staff costs (2019: £nil).

7 Directors' emoluments

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

8 Income tax charge

	Note	2020 £'000	2019 £'000
Current tax			
UK corporation tax on current year profit		**(614)**	(581)
UK corporation tax on prior year profit		**-**	(36)
		(614)	(617)
Deferred tax			
Origination and reversal of temporary differences – Current year	***16***	**351**	342
Origination and reversal of temporary differences – prior year	***16***	**-**	3
Change in tax rate	***16***	**(378)**	(24)
Total deferred tax		**(27)**	321
Total income tax charge		**(641)**	(296)

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

Notes to the annual financial statements (continued)
for the year ended 31 December 2020

8 Income tax charge (continued)

The following table reconciles the tax charge which would apply if all profits had been taxed at the UK corporation tax rate:

	2020 £'000	2019 £'000
Profit before tax	**1,321**	1,227
Taxation at corporation tax rate of 19% (2019: 19%)	**(251)**	(233)
Change in tax rate	**(378)**	(24)
Depreciation on fixed assets ineligible for tax allowances	**(12)**	(6)
Prior year adjustment	**-**	(33)
Income tax charge	**(641)**	(296)

9 Property, plant and equipment

	Rail Depot £'000
Cost	
Balance at 1 January 2019	25,145
Additions	-
Balance at 31 December 2019	**25,145**
Additions	**-**
Balance at 31 December 2020	**25,145**
Depreciation	
Balance at 1 January 2019	8,786
Charge for the year	963
Balance at 31 December 2019	**9,749**
Charge for the year	**963**
Balance at 31 December 2020	**10,712**
Carrying value at 31 December 2020	**14,433**
Carrying value at 31 December 2019	15,396

10 Right-of-use of assets

	Land £'000
As at 1 January 2019 – recognised on adoption of IFRS 16	2,045
Additions	-
Depreciation charge	(194)
As at 31 December 2019	**1,851**
Additions	-
Depreciation charge	**(195)**
As at 31 December 2020	**1,656**

Notes to the annual financial statements (continued)
for the year ended 31 December 2020

11 Finance lease receivables

	2020 £'000	2019 £'000
Gross investment in finance leases		
Amounts falling due:		
No later than one year	**1,381**	1,381
Later than one year and no later than five years	**3,683**	5,065
Gross investment in finance leases	**5,064**	6,446
Unearned finance income	**(646)**	(1,030)
Net investment in finance leases less provisions	**4,418**	5,416
Amortisation of finance lease receivables:		
Amounts falling due:		
No later than one year	**1,083**	997
Later than one year and no later than five years	**3,335**	4,419
Present value of minimum lease receivables	**4,418**	5,416
Aggregate finance lease income receivable in the year	**528**	586

The Company has entered into a finance leasing arrangement for one of the depots. This lease is due to expire in 4 years' time. Finance lease receivable balances are secured over the depot.

The fair value of fixed rate finance lease receivables is calculated by discounting future minimum lease receivables, using equivalent current interest rates. The fair values are not considered to be significantly different from the carrying value.

12 Trade and other payables

	2020 £'000	2019 £'000
Rentals received in advance	**394**	394
Accruals	**13**	42
Other payables	**37**	-
	444	436

13 Borrowings

	2020 £'000	2019 £'000
Eversholt Rail Limited	**3,317**	5,999

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 (reflecting LIBOR plus margin), which substantially matches the rate of the Security Group's senior debt, plus margin (2019: Group's senior debt, plus margin).

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 in the use of disposal proceeds. The assets are secured by a fixed and floating charge held by the financial institutions that have lent to Eversholt Funding plc.

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

Notes to the annual financial statements (continued)
for the year ended 31 December 2020

14 Reconciliation of liabilities arising from financing activities

31 December 2020	**As at 31 December 2019 £'000**	**Non-cash finance expense £'000**	**Cash Flows payments £'000**	**As at 31 December 2020 £'000**
Financing activities attributable to:				
Liabilities				
Eversholt Rail Limited	**5,999**	**245**	**(2,927)**	**3,317**

31 December 2019	**As at 31 December 2018 £'000**	**Non-cash finance expense £'000**	**Cash Flows payments £'000**	**As at 31 December 2019 £'000**
Financing activities attributable to:				
Liabilities				
Eversholt Rail Limited	8,139	447	(2,587)	5,999

15 Lease liabilities

	Land £'000
As at 1 January 2019 – recognised on adoption of IFRS 16	2,589
Additions	-
Interest charge	52
Payments	(250)
As at 31 December 2019	**2,391**
Additions	**-**
Interest charge	**47**
Payments	**(269)**
As at 31 December 2020	**2,169**

Total lease liabilities can be analysed as follows:

	2020 £'000	**2019 £'000**
Current	**226**	75
Non-Current	**1,943**	2,316
	2,169	2,391

Maturity of lease liabilities

The maturity profile of the Group's undiscounted lease liabilities at 31 December 2020 was as follows:

	2020 £'000	**2019 £'000**
Within one year	**268**	123
In more than one year but not more than two years	**268**	123
In more than two years but not more than five years	**636**	1,105
In more than five years	**1,289**	1,412
Non-Current	**2,193**	2,640

Notes to the annual financial statements (continued)

for the year ended 31 December 2020

16 Deferred tax liability

Deferred tax arises on timing differences in respect of capital allowances and IFRS 16 implementation.

	Capital allowances	IFRS 16 impact £'000	Total £'000
Balance at 1 January 2019	3,710	(92)	3,618
Credit to Income statement	(349)	7	(342)
Prior year adjustments	(3)	-	(3)
Effect of change in tax rate			
- Income statement	25	(1)	24
Balance at 31 December 2019	**3,383**	**(86)**	**3,297**
Credit to Income statement	**(358)**	**7**	**(351)**
Effect of change in tax rate			
- Income statement	**388**	**(10)**	**378**
Credit to Income statement	**3,413**	**(89)**	**3,324**

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

17 Share capital

	2020 £'000	2019 £'000
Authorised, allotted, called up and fully paid		
5,000,100 Ordinary shares of £1 each	**5,000**	5,000

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

18 Risk management

The Company is exposed to residual value risk and credit risk from its leasing arrangements. The Company also has exposure to the following types of risk arising from its use of financial instruments: capital risk, market risk, and liquidity risk. Market risk includes foreign exchange risk and interest rate risk. In addition, there are risks associated with the COVID-19 crisis, details of which are considered in note 2.3 "Going concern".

Sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 3.8.

The management of all risks which are significant, together with the quantitative disclosures not already included elsewhere in the financial statements, is described in this note.

18 Risk management (continued)

Residual value risk

One of the key drivers of the Company's ability to generate the desired return from its assets is the management of residual value risk. This risk arises from operating lease transactions to the extent that the values recoverable from re-letting assets at the end of the current lease terms (the "residual values") differ from those projected at the inception of the leases. The Company regularly monitors the recoverability of the residual value projected at lease inception. This entails considering the potential to re-let the depot at the end of its current lease terms. The leasing arrangements in place for the depot also have various contractual provisions which limit the Company's residual value exposure. Provision is made to the extent that the carrying values of leased assets are impaired through residual values not being fully recoverable.

There has been no change to the Company's exposure to residual value risks or the manner in which these risks are managed and measured.

Capital risk management

The Board actively monitors the capital structure of the Company to ensure that it is able to continue as a going concern and can generate attractive and predictable returns for shareholders and benefits for other stakeholders. Consideration is given to the availability, cost and risks associated with each class of capital.

The capital structure of the Company consists principally of borrowings from another group undertaking and equity from its immediate parent.

The Company is not subject to any externally imposed capital requirements.

Credit risk management

Credit risk is the risk of financial loss if a counterparty fails to meet its obligations under a contract. The Company's principal credit exposure arises from the ability of its counterparties to service their obligations under the leasing arrangements. It arises principally from lease receivables.

The Company monitors the exposure to counterparties in relation to finance lease receivables. This includes considering the counterparty's ability to service its obligations to the Company and other creditors, having regards to past, current and future circumstances.

As part of the Company's processes for credit risk management and assessment of ECL, as well as assessment as to whether there has been a significant increase in credit risk since the exposure first arose or whether a financial asset is credit impaired, management takes into account the following:

- Historical credit experience of the counterparty;
- Third party credit reports and analysis;
- Past, current and future events and circumstances that could impinge upon the counterparty's performance and ability to perform and service its obligations as they fall due and meet its commitments as they arise. This will include assessment of actual and potential external events, as well as the Company's internal information;
- The nature of the arrangements with the counterparty and whether there is related collateral/security which can be applied;
- The existence of any parties to which the Company might have recourse in the event of a counterparty default, for example, where a counterparty's activities and related obligations (wholly or partly) might be assumed by a successor; and
- The duration of the exposure under review.

The financial assets are performing in accordance with the terms of the contractual arrangements i.e. all payments to date as well as those expected in the future, have been made/are expected to be made in accordance with the underlying contractual terms. No part of the financial asset is credit impaired or overdue, or in default. For these purposes, the Company defines "default" as where the obligor has failed to meet its obligations under the contract and "credit impaired" where there is objective evidence as to a credit event for the obligor. The definition has been applied historically by the Company and is regarded as appropriate, having regard to the nature of the Company's exposure and past experience.

Notes to the annual financial statements (continued)
for the year ended 31 December 2020

18 Risk management (continued)

Credit risk management (continued)

The carrying value of the financial assets represents the Company's maximum credit exposure to the borrower.

In light of the above, the Company has determined that no ECL allowance is required in relation to finance lease receivables. This reflects the Company's assessment of the borrower's risk and exposure, together with nature of recourse to which the lender and borrower would have access in the event of a potential issue.

Market risk management

The Company is not exposed to foreign exchange risk on its financial assets and financial liabilities.

The Company has exposure to fluctuations in interest rates. This exposure is managed at a group level through the use of interest rate swaps. The net cost or benefit derived from the use of swaps is taken into account in determining the interest on the intercompany loan.

Interest rate sensitivity analysis

A 50 basis points increase in LIBOR would have resulted in an increase in intercompany loan interest expense of £1,000 (2019: £3,000). The sensitivity analysis is applied to the borrowing rate and performed on the monthly balance of the relevant financial instrument and represents a reasonable approximation of possible change.

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its cash flow requirements on a daily basis and compares expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. Cash is managed on a consolidated basis across the Security Group which enables the Company to borrow funds from another group undertaking to meet any shortfall. Conversely, the Company lends any surplus funds to other group undertakings. Liquidity is further under-pinned by the ability of certain group undertakings to borrow under a £600,000,000 revolving credit facility which matures on 4 November 2023 and lend proceeds to the Company.

Undiscounted cash flows in respect of the intercompany loan with Eversholt Rail Limited 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.

Undiscounted cash flows receivable from financial assets and payable to meet financial liabilities are analysed below by their contractual due date:

31 December 2020	Carrying value	Contractual cash flows	On demand	Due within 1 year	Due between 1-5 years	Due after 5 years
Financial assets	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Amortised cost						
Finance lease receivables	4,418	5,064	-	1,381	3,683	-
	4,418	5,064	-	1,381	3,683	-
Financial liabilities						
Amortised cost						
Trade and other payables	444	444	-	444	-	-
Borrowings	3,317	3,317	-	-	3,317	-
	3,761	3,761	-	444	3,317	-
Total financial instruments	657	1,303	-	937	366	-

Notes to the annual financial statements (continued)
for the year ended 31 December 2020

18 Risk management (continued)

Liquidity risk management (continued)

31 December 2019	Carrying value	Contractual cash flows	On demand	Due within 1 year	Due between 1-5 years	Due after 5 years
Financial assets	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Amortised cost						
Finance lease receivables	5,416	6,446	-	1,381	5,065	-
	5,416	6,446	-	1,381	5,065	-
Financial liabilities						
Amortised cost						
Trade and other payables	436	436	-	436	-	-
Borrowings	5,999	5,999	-	-	5,999	-
	6,435	6,435	-	436	5,999	-
Total financial instruments	(1,019)	11	-	945	(934)	-

19 Fair value of financial assets and liabilities

There are no material differences between the carrying value and the fair value of financial assets and liabilities as at 31 December 2020 and 31 December 2019.

20 Operating lease arrangements

The Company as lessor:

The Company leases a depot under an operating lease. At the reporting date, the outstanding commitments for future minimum lease receipts under this lease are as follows:

	Group	
	2020	**2019**
	£'000	**£'000**
Within one year	**2,489**	2,489
1-2 years	**2,489**	2,489
2-3 years	**2,489**	2,489
3-4 years	**1,701**	2,489
4-5 years	**124**	1,701
Over 5 years	**1,293**	1,417
	10,585	13,074
Aggregate operating lease rentals receivable in the year	**2,489**	2,523

The Company as lessee:

The Company has sub-leases of certain right-of-use assets in relation to land and has recognised income of £145,000 during the year (2019: £268,000). This is included on the aggregate operating lease rentals shown above.

Notes to the annual financial statements (continued)
for the year ended 31 December 2020

21 Related-party transactions

21.1 Identity of related parties

The Company has a related party relationship with its directors (refer to page 4) 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
- European Rail Finance Limited
- Eversholt Investment Limited
- Eversholt Rail Holdings (UK) Limited (dissolved 4 February 2020)
- Eversholt Finance Holdings Limited
- Eversholt Funding plc
- Eversholt Rail Limited
- Eversholt Rail (365) Limited (for periods prior to 19 August 2019)
- Eversholt Rail Leasing 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 which the Company is a member of, is UK Rails S.A.R.L..The immediate parent company is Eversholt Rail Leasing Limited.

Copies of the Group financial statements of UK Rails S.A.R.L. may be obtained from the following registered address:

7, rue du Marché-aux-Herbes

L-1728 Luxembourg

21.2 Transactions with related parties

The Company has loans with related parties, described in note 13. Interest on these loans is described in note 5.

The Company paid management fees of £219,000 to Eversholt Rail Limited (2019: £208,000).

22 Contingent liabilities

There were no contingent liabilities for the Company at 31 December 2020 (2019: £nil).

23 Subsequent events

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