

# **Eversholt UK Rails (Holding) Limited**

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

**Registered No: 10783654**

**Annual report and financial statements**

for the year ended 31 December 2020

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## Strategic report

for the year ended 31 December 2020

### Business review

Eversholt UK Rails (Holding) Limited (the “Company”) is an investment holding company.

The Company forms part of the Eversholt UK Rails Group (“Group”) more fully described in note 19. 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 £46,499,000 (2019: £44,015,000). As at 31 December 2020 the Company had net assets of £766,846,000 (2019: £766,847,000).

During the year and up to the date of signing the financial statements, the Company continued to be an investment holding company and is funded principally by its immediate parent company through borrowings and equity.

### 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 17 of the financial statements.

The principal business risk for the Company is the risk of diminution in the value of the investments in its subsidiaries.

### 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 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 17. 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 position under review, monitoring events and possible outcomes, as the full impact of COVID-19 emerges.

### Financial performance

The Company’s results for the year are as detailed in the Income statement on page 12.

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's subsidiaries operate from a group perspective and details of relevant matters, including the withdrawal of the United Kingdom from the European Union, changes in the UK rail industry and climate change, are disclosed in the financial statements of Eversholt UK Rails Limited.

### Section 172(1) statement

In discharging their duty to promote the interests of the Company under section 172 Companies Act 2006, the Directors of the Company have regard to a number of factors and stakeholder interests. These are described below.

The Company was formed in 2017 to act as an intermediate holding company within the Group. It undertakes no significant business activity. The Company is a wholly owned subsidiary and does not have any employees. Accordingly, the Directors do not consider the factors listed in section 172(1)(b) (interests' of the company's employees), section 172(1)(d) (the impact of the Company's operations on the community and the environment) or section 172(1)(f) (need to act fairly between the members of the company) are relevant to the proper discharge of their duty under section 172.

Each of these factors are considered in relation to the Group's broader operations as explained in the section 172(1) statement within the Annual report and financial statements of Eversholt UK Rails Limited (the parent company of the Group) for the year ended 31 December 2020.

#### *Long-term consequences of business decisions and maintaining reputation for high standards of business conduct*

The Company is the holding company of a group which operates in a sector characterised by long-term relationships between stakeholders, driven by a relatively small number of market participants. The Group provides rolling stock and rolling stock related services to train and freight operating companies who operate rail franchises for periods that are typically between seven and ten years. Accordingly, consideration of long-term consequences is an inherent part of the Company's decision making processes. As a privately-owned company ultimately held by an infrastructure investor, the Board considers that the interests of the Company and its ultimate owners are aligned in seeking sustainable value creation over the longer term through the Company's subsidiaries, promoting long-term strategic decision-making.

#### *Identification of, and engagement with, stakeholder groups*

The Company recognises the importance of maintaining strong relationships with its stakeholders in order to create sustainable long-term value, and the Board encourages active dialogue and transparency with all its stakeholder groups.

The Group has identified six main stakeholder groups which are relevant to the proper discharge of the duty of the Directors of relevant group companies under section 172(1) to promote the success of their company. These are:

- train operating companies and freight operating companies – the Group's customers;
- industry regulators and franchise authorities (principally the Office of Rail and Road (ORR)), the DfT, Transport Scotland, Transport for Wales and Transport for London (in their role providing funding and strategic direction for major rail projects), and other public bodies involved in the UK rail industry;
- the Group's suppliers – train manufacturing companies and other suppliers who supply and maintain rolling stock;
- the Group's external lenders;
- the Group's employees; and
- the Group's owners.

**Strategic report (continued)**

for the year ended 31 December 2020

**Section 172(1) statement (continued)**

Given the purpose of the Company, the Board believes that two of these six stakeholder groups are relevant to the proper discharge of the duties of the Directors of the Company under section 172(1):

- the Group's external lenders; and
- the Group's owners.

Details of these groups, and the main methods that the Directors have used to engage with those stakeholders during the course of the year, is set out in the corporate governance statement within the Annual report and financial statements of Eversholt UK Rails Limited for the year ended 31 December 2020.

**Fostering Business Relationships**

The Company recognises the importance of maintaining strong relationships with its stakeholders in order to create sustainable long-term value, and the Board encourages active dialogue and transparency with all its stakeholder groups.

Approved by the Board and signed on its behalf:



**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  
LDC Securitisation Director No.3 Limited  
D Spence (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 provision of 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.

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 declared and paid dividends totalling £46,500,000 in 2020 (2019: £41,550,000).

### **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 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.

**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, Deloitte LLP was appointed the Auditor and therefore 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 UK 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 UK Rails (Holding) 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 UK Rails (Holding) 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 21.

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.

#### **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.

## **Independent Auditor's report to the Members of Eversholt UK Rails (Holding) Limited (continued)**

for the year ended 31 December 2020

### **Other information (continued)**

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](http://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.

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.

## **Independent Auditor's report to the Members of Eversholt UK Rails (Holding) Limited (continued)**

for the year ended 31 December 2020

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

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 UK Rails (Holding) 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 FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London  
United Kingdom

1 March 2021

**Income statement**

for the year ended 31 December 2020

	<i>Note</i>	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Dividend income	<b>4</b>	<b>46,500</b>	44,050
Service fee income		<b>60</b>	60
Finance income	<b>5</b>	<b>48,023</b>	47,891
Total income		<b>94,583</b>	92,001
Finance expense	<b>6</b>	<b>(48,023)</b>	(47,949)
Administrative expense	<b>7</b>	<b>(63)</b>	(43)
<b>Profit before tax</b>		<b>46,497</b>	44,009
Income tax credit	<b>9</b>	<b>2</b>	6
<b>Profit for the year</b>		<b>46,499</b>	44,015

There were no discontinued or discontinuing operations during the year.

The notes on pages 16 to 28 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 financial year as shown above (2019: £nil).

**Statement of financial position**

as at 31 December 2020

	<i>Note</i>	2020 £'000	2019 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	<i>10</i>	763,997	763,997
Amounts owed by group undertakings	<i>11</i>	153	154
		<u>764,150</u>	<u>764,151</u>
<b>Current assets</b>			
Current tax		2	119
Amounts owed by group undertakings	<i>11</i>	340,570	340,562
Trade and other receivables	<i>13</i>	110	-
Cash and cash equivalents	<i>14</i>	2,600	2,600
		<u>343,282</u>	<u>343,281</u>
<b>Total assets</b>		<u><u>1,107,432</u></u>	<u><u>1,107,432</u></u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	<i>15</i>	24	23
<b>Non-current liabilities</b>			
Amounts owed to group undertakings	<i>11</i>	340,562	340,562
<b>Total liabilities</b>		<u><u>340,586</u></u>	<u><u>340,585</u></u>
<b>Equity</b>			
Share capital	<i>16</i>	-	-
Retained earnings		766,846	766,847
<b>Total equity</b>		<u><u>766,846</u></u>	<u><u>766,847</u></u>
<b>Total equity and liabilities</b>		<u><u>1,107,432</u></u>	<u><u>1,107,432</u></u>

The notes on pages 16 to 28 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: 10783654

**Statement of cash flows**

for the year ended 31 December 2020

	2020	2019
Note	£'000	£'000
<b>Cash flow from operating activities</b>		
Profit before tax	46,497	44,009
Adjustments for:		
- Dividend income	4 (46,500)	(44,050)
- Finance income	5 (48,023)	(47,891)
- Finance expense	6 48,023	47,949
<b>Operating cash flow before changes in working capital</b>	<u>(3)</u>	17
Increase in trade receivables	(110)	-
Increase/(decrease) in trade payables	1	(1)
Group relief received	119	24
<b>Net cash generated by operating activities</b>	<u>7</u>	40
<b>Cash flow from investing activities</b>		
Finance income received	12 48,023	47,891
Movement in intercompany loan with Eversholt UK Rails Limited	11 (8)	-
Movement in intercompany loan with Eversholt Rail Limited	12 1	(154)
Dividends received	4 46,500	44,050
<b>Net cash generated by investing activities</b>	<u>94,516</u>	91,787
<b>Cash flow from financing activities</b>		
Movement in intercompany loan with Eversholt Rail Limited	12 -	(2,386)
Finance expense paid	12 (48,023)	(47,891)
Shareholder dividends paid	4 (46,500)	(41,550)
<b>Net cash utilised in financing activities</b>	<u>(94,523)</u>	(91,827)
Net movement in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	2,600	2,600
<b>Cash and cash equivalents at the end of the year</b>	<u>14 2,600</u>	2,600

**Statement of changes in equity**

for the year ended 31 December 2020

	<i>Note</i>	Share capital £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2019</b>		-	764,382	764,382
Total comprehensive income		-	44,015	44,015
Dividends paid	<b>4</b>	-	(41,550)	(41,550)
<b>Balance at 31 December 2019</b>		-	<u>766,847</u>	<u>766,847</u>
Total comprehensive income		-	<b>46,499</b>	<b>46,499</b>
Dividends paid	<b>4</b>	-	<b>(46,500)</b>	<b>(46,500)</b>
<b>Balance at 31 December 2020</b>		-	<u><b>766,846</b></u>	<u><b>766,846</b></u>

Dividends of £455,882 per share were paid during the year (2019: £407,353).



## Notes to the annual financial statements

for the year ended 31 December 2020

### 1 General Information

Eversholt UK Rails (Holding) Limited is a private company incorporated in England and Wales and is limited by shares (see note 16). The registered office of the Company is 210 Pentonville Road, London, N1 9JY, United Kingdom.

### 2. Basis of Preparation

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

The Company is exempt from the requirement to prepare consolidated financial statements by section 401 of the Companies Act 2006. These financial statements present information about the Company as an individual undertaking.

#### 2.1 Compliance with IFRSs

The financial statements of Eversholt UK Rails (Holding) Limited 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 Group'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 IFRS9 (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

## Notes to the annual financial statements (continued)

for the year ended 31 December 2020

### 2 Basis of Preparation (continued)

#### 2.2 Standards and Interpretations issued by the IASB (continued)

- 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.

#### 2.3 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 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 17. 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.

## Notes to the annual financial statements (continued)

for the year ended 31 December 2020

### 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 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. 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 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.

#### 3.2 Income tax

Income tax comprises current 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.

#### 3.3 Dividend income

Dividend income from investments is recognised when the right to receive payment is established.

#### 3.4 Subsidiaries

The Company classifies investments in entities which it controls as subsidiaries. The Company's investments in subsidiaries are stated at cost being the fair value at acquisition date less any impairment losses. Any impairment loss recognised in prior years shall be reversed through the Income statement if, and only if, there has been a change in the estimates used to determine the recoverable amount of the investment in the subsidiary since the last impairment loss was recognised.

#### 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:

##### Amounts owed by group undertakings

These are held in order to collect the related contractual cash flows and contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

They are derecognised when either borrowers repay their obligations, or the loan is sold or written off, or substantially all the risks and rewards of ownership are transferred.

## Notes to the annual financial statements (continued)

for the year ended 31 December 2020

### 3 Summary of significant accounting policies (continued)

#### 3.5 Financial instruments (continued)

##### 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 12 month expected credit loss ("ECL") allowance is carried for 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.

##### 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.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Transfers between levels of the fair value hierarchy are recognised at the end of the reporting year during which the change occurred

## Notes to the annual financial statements (continued)

for the year ended 31 December 2020

### 3 Summary of significant accounting policies (continued)

#### 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 amounts owed by/to group undertakings are shown under the heading of “Investing activities”/“Cash flow from financing activities” respectively.

#### 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 assumptions and estimates

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.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of revision and future years if the revision affects both current and future years.

No significant judgements have been required in the process of applying the Company’s accounting policies.

#### Critical estimates and assumptions in applying the Company’s accounting policies

The following are the critical estimates and assumptions that management have made in the process of applying the Company’s accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

#### Investment in subsidiaries

The carrying value of the Company’s investment in its subsidiaries is assessed for indications of impairment at the end of each reporting period. If such indication exists, the recoverable amount for the investment is estimated based on the projected future cashflows accruing to the Company from ownership, discounted at a rate reflecting the time value of money and risks specific to the investment.

### 4 Dividends

The Company received £46,500,000 (2019: £44,050,000) dividend income from Eversholt Investment Limited.

The Company paid dividends of £46,500,000 (2019: £41,550,000) to Eversholt UK Rails Limited during the year.

### 5 Finance income

	2020 £'000	2019 £'000
Interest receivable from Eversholt Investment Limited	<u>48,023</u>	<u>47,891</u>

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

**Notes to the annual financial statements (continued)**

for the year ended 31 December 2020

**6 Finance expense**

	2020 £'000	2019 £'000
Interest payable to Eversholt Rail Limited	-	(58)
Interest payable to Eversholt UK Rails Limited	<u>(48,023)</u>	<u>(47,891)</u>
	<u>(48,023)</u>	<u>(47,949)</u>

Finance expense represents interest charged in relation to financial liabilities carried at amortised cost.

**7 Administrative expense**

Administrative expense includes:

	2020 £'000	2019 £'000
Fees payable by Eversholt Rail Limited to the Company's auditor for the audit of the Company's annual financial statements	<u>(52)</u>	<u>(31)</u>

The Company has no employees and hence no staff costs.

**8 Directors' emoluments**

**Non-executive directors**

	2020 £'000	2019 £'000
Directors' fees	<u>(12)</u>	<u>(12)</u>

**9 Income tax credit**

	2020 £'000	2019 £'000
<b>Current tax</b>		
UK Corporation tax on current year profit	1	8
Adjustment in respect of prior years	<u>1</u>	<u>(2)</u>
<b>Income tax credit</b>	<u>2</u>	<u>6</u>

The UK corporation tax rate for the year ended 31 December 2020 and 31 December 2019 was 19%.

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

	2020 £'000	2019 £'000
<b>Profit before tax</b>	<u>46,497</u>	<u>44,009</u>
Taxation at corporation tax rate of 19% (2019: 19%)	<u>(8,834)</u>	<u>(8,362)</u>
Non-taxable income	8,835	8,370
Adjustment in respect of prior years	<u>1</u>	<u>(2)</u>
<b>Income tax credit</b>	<u>2</u>	<u>6</u>

**Notes to the annual financial statements (continued)**

for the year ended 31 December 2020

**10 Investment in subsidiaries**

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
Investment in Eversholt Investment Limited at cost	<u>763,997</u>	<u>763,997</u>

The subsidiary undertakings of the Company at the end of the reporting year were:

Name of Undertaking	Class of Capital	Country of Incorporation	Type of business	Ownership Percentage	
				2020	2019
Eversholt Investment Limited	Ordinary Shares	Ireland**	Investment	100	100
European Rail Finance Holdings Limited*	Ordinary Shares	Ireland**	Investment	100	100
European Rail Finance Limited*	Ordinary Shares	Ireland**	Leasing	100	100
Eversholt Rail Leasing Limited*	Ordinary Shares	England***	Leasing	100	100
Eversholt Rail Holdings (UK) Limited*	Ordinary Shares	England***	Investment	nil	100
Eversholt Rail Limited*	Ordinary Shares	England***	Management services	100	100
Eversholt Depot Finance Limited*	Ordinary Shares	England***	Leasing	100	100
Eversholt Rail (365) Limited*	Ordinary Shares	England***	Leasing	nil	nil
Eversholt Finance Holdings Limited*	Ordinary Shares	England***	Investment	100	100
Eversholt Funding plc*	Ordinary Shares	England***	Financing	100	100
European Rail Finance (2) Limited*	Ordinary Shares	Ireland**	Investment	100	100

\* Indirect subsidiaries.

\*\* Registered office: Riverside One, Sir John Rogerson's Quay, Dublin 2, D02 X576, Ireland.

\*\*\* Registered office: 210 Pentonville Road, London, N1 9JY.

Eversholt Rail Holdings (UK) Limited was dissolved on 4 February 2020.

Following a deterioration in Class 365's prospects during 2019, a liquidator was appointed to Eversholt Rail (365) Limited on 19 August 2019. Eversholt Rail (365) Limited was subject to a separate financing structure and established prior to privatisation in the 1990s. Being ringfenced in this way, its current financial situation has no bearing upon any fellow subsidiary or parent undertaking, other than in relation to intercompany receivables. With effect from this date, the Company no longer controls Eversholt Rail (365) Limited.

**11 Amounts owed by/to group undertakings**

	<b>2020</b> <b>£'000</b>	<b>2019</b> <b>£'000</b>
<b>Current assets</b>		
Eversholt Investment Limited	340,562	340,562
Eversholt UK Rails Limited	8	-
	<u>340,570</u>	<u>340,562</u>
<b>Non-Current assets</b>		
Eversholt Rail Limited	<u>153</u>	<u>154</u>

**Notes to the annual financial statements (continued)**

for the year ended 31 December 2020

**11 Amounts owed by/to group undertakings (continued)**

The Company and Eversholt Investment Limited (“EIL”) are members of the Security Group. All members of the Security Group are jointly and severally liable for the obligations of each other member of the Security Group under the Financing Documents.

The intercompany loan between the Company and EIL is repayable on demand, such a payment is permitted, however the Company’s use of the proceeds would be restricted under the terms of the Financing Documents.

The intercompany loan owed by Eversholt Rail Limited is classified as non-current as it is repayable on 4 November 2023. Borrowing entities may prepay and redraw loans until the repayment date. Interest on the loan is payable monthly at a floating rate, which substantially matches the rate of the Group’s Senior Debt, plus margin.

	2020 £’000	2019 £’000
<b>Non-current liabilities</b>		
Eversholt UK Rails Limited	<u>340,562</u>	<u>340,562</u>
	<u>340,562</u>	<u>340,562</u>

The activities of the Security Group are, in part, funded through a subordinated loan agreement between Eversholt UK Rails Limited (as lender) and the Company (as borrower). Eversholt UK Rails Limited’s rights under this subordinated loan agreement (including its right to repayment) are subject to the terms of the Finance Documents. This loan is unsecured and carries a fixed rate of interest.

**12 Reconciliation of assets and liabilities arising from investing and financing activities**

31 December 2020

	As at 31 December 2019 £’000	Non-cash finance (income)/ expense £’000	Cash flows receipts/ (payments) £’000	As at 31 December 2020 £’000
<b>Investing/financing activities attributable to:</b>				
<b>Assets: amounts owed by group undertakings</b>				
Eversholt Rail Limited	(154)	-	1	(153)
Eversholt Investment Limited	(340,562)	(48,023)	48,023	(340,562)
Eversholt UK Rails Limited	-	-	(8)	(8)
	<u>(340,716)</u>	<u>(48,023)</u>	<u>48,016</u>	<u>(340,723)</u>
<b>Liabilities: amounts owed to group undertakings</b>				
Eversholt UK Rails Limited	<u>340,562</u>	<u>48,023</u>	<u>(48,023)</u>	<u>340,562</u>
	<u>340,562</u>	<u>48,023</u>	<u>(48,023)</u>	<u>340,562</u>



**Notes to the annual financial statements (continued)**

for the year ended 31 December 2020

**12 Reconciliation of assets and liabilities arising from investing and financing activities (continued)**

31 December 2019

	As at 31 December 2018 £'000	Non-cash finance (income)/ expense £'000	Cash flows receipts/ (payments) £'000	As at 31 December 2019 £'000
<b>Investing/financing activities attributable to:</b>				
<b>Assets: amounts owed by group undertakings</b>				
Eversholt Rail Limited	-	-	(154)	(154)
Eversholt Investment Limited	(340,562)	(47,891)	47,891	(340,562)
Eversholt UK Rails Limited	-	-	-	-
	<u>(340,562)</u>	<u>(47,891)</u>	<u>47,737</u>	<u>(340,716)</u>
<b>Liabilities: amounts owed to group undertakings</b>				
Eversholt Rail Limited	2,328	58	(2,386)	-
Eversholt UK Rails Limited	340,562	47,891	(47,891)	340,562
	<u>342,890</u>	<u>47,949</u>	<u>(50,277)</u>	<u>340,562</u>

**13 Trade and other receivables**

	2020 £'000	2019 £'000
Other receivables	<u>110</u>	<u>-</u>

**14 Cash and cash equivalents**

Cash and cash equivalents are analysed as:

	2020 £'000	2019 £'000
Bank accounts	<u>2,600</u>	<u>2,600</u>

Cash and cash equivalents comprise a deposit of £2,600,000 which is restricted as it provides security for the Profit Participating Shares issued by a subsidiary.

**15 Trade and other payables**

	2020 £'000	2019 £'000
Accruals	<u>24</u>	<u>23</u>

**16 Share capital**

	2020 £	2019 £
<b>Authorised, called up and fully paid</b>		
102 Ordinary shares of £1 each	<u>102</u>	<u>102</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 annual financial statements (continued)

for the year ended 31 December 2020

### 17 Risk management

The Company is exposed to the risk of diminution in the value of the investment in its subsidiaries. The Company also has exposure to the following types of risk arising from its use of financial instruments: capital risk, credit risk, liquidity risk and market 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.

#### Investment in subsidiaries

The Company monitors the performance of its subsidiaries on an ongoing basis having regards to the environment in which they operate and the risk to which they are exposed.

#### 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 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 lending arrangements.

The Company monitors the exposure to Eversholt Investment Limited, Eversholt Rail Limited, Eversholt UK Rails Limited and the banks holding the Company's cash and cash equivalents balances on a regular basis. This includes considering the borrower'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 assessments as to whether there has been significant increase in the 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 Group'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 Group 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.

## **Notes to the annual financial statements (continued)**

for the year ended 31 December 2020

### **17 Risk management (continued)**

#### **Credit risk management (continued)**

The carrying value of the financial assets represent 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 its loans receivable or cash and cash equivalents. This reflects the Company's assessment of the borrowers' risk and exposure, together with nature of recourse to which the lender and borrowers 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 Eversholt Rail Limited.

#### **Interest rate sensitivity analysis**

A 50 basis points increase in LIBOR would have resulted in an increase in intercompany interest expense of £127 (2019: £500) and an increase in intercompany interest income of £10,000 (2019: £16,000). 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.

**Notes to the annual financial statements (continued)**

for the year ended 31 December 2020

**17 Risk management (continued)****Liquidity risk management (continued)**

Undiscounted cash flows in respect of the intercompany loans 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 related to the financial assets and financial liabilities are analysed below by their contractual due date, including estimated interest cash flows where appropriate:

	Carrying value £'000	Contractual cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
<b>31 December 2020</b>						
<b>Financial assets</b>						
Amortised cost						
Amounts owed by Eversholt Investment Limited	340,562	340,562	340,562	-	-	-
Amounts owed by Eversholt UK Rails Limited	8	8	-	8	-	-
Amounts owed by Eversholt Rail Limited	153	153	-	-	153	-
Cash and cash equivalents	2,600	2,600	-	-	-	2,600
	<b>343,323</b>	<b>343,323</b>	<b>340,562</b>	<b>8</b>	<b>153</b>	<b>2,600</b>
<b>Financial liabilities</b>						
Amortised cost						
Trade and other payables	24	24	-	24	-	-
Loan from Eversholt UK Rails Limited	340,562	340,562	-	-	-	340,562
	<b>340,586</b>	<b>340,586</b>	<b>-</b>	<b>24</b>	<b>-</b>	<b>340,562</b>
<b>Total financial instruments</b>	<b>2,736</b>	<b>2,737</b>	<b>340,562</b>	<b>(16)</b>	<b>153</b>	<b>(337,962)</b>
	Carrying value £'000	Contractual cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
<b>31 December 2019</b>						
<b>Financial assets</b>						
Amortised cost						
Amounts owed by Eversholt Investment Limited	340,562	340,562	340,562	-	-	-
Amounts owed by Eversholt Rail Limited	154	154	-	-	154	-
Cash and cash equivalents	2,600	2,600	-	-	-	2,600
	<b>343,316</b>	<b>343,316</b>	<b>340,562</b>	<b>-</b>	<b>154</b>	<b>2,600</b>
<b>Financial liabilities</b>						
Amortised cost						
Trade and other payables	23	23	-	23	-	-
Loan from Eversholt UK Rails Limited	340,562	340,562	-	-	-	340,562
	<b>340,585</b>	<b>340,585</b>	<b>-</b>	<b>23</b>	<b>-</b>	<b>340,562</b>
<b>Total financial instruments</b>	<b>2,731</b>	<b>2,731</b>	<b>340,562</b>	<b>(23)</b>	<b>154</b>	<b>(337,962)</b>

**18 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. Financial assets and liabilities for which valuation categorisation is required, fall within level 2.

## Notes to the annual financial statements (continued)

for the year ended 31 December 2020

### 19 Related-party transactions

#### 19.1 Identity of related parties

The Company has a related party relationship with its directors (refer page 4) and with its fellow group undertakings of the Eversholt UK Rails Group, namely:

- Eversholt UK Rails Limited
- European Rail Finance Limited
- European Rail Finance Holdings Limited
- Eversholt Investment Limited
- Eversholt Rail Leasing Limited
- Eversholt Finance Holdings Limited
- Eversholt Rail Holdings (UK) Limited (dissolved on 4 February 2020)
- Eversholt Funding plc
- Eversholt Rail Limited
- Eversholt Depot Finance Limited
- Eversholt Rail (365) Limited (prior to 19 August 2019)
- European Rail Finance (2) Limited

The Company has been informed by the former ultimate parent and controlling party, CK Hutchison Holdings Limited ("CKHH"), incorporated in the Cayman Islands, that by virtue of contractual arrangements entered into with other parties, with effect from 30 December 2019, it ceased to have a controlling interest in the Company and, as required by the applicable accounting standards, it has ceased accounting for the Company as a subsidiary from that date.

The results of the Company before 30 December 2019 are consolidated in the consolidated financial statements of CKHH. The Directors of the Company consider CKHH was the ultimate parent and controlling party prior to 30 December 2019.

In light of the above, the Directors of the Company consider the ultimate parent and controlling party from 30 December 2019 to be UK Rails S.A.R.L. incorporated in Luxembourg.

The 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 UK Rails 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

#### 19.2 Transactions with related parties

Dividend income and dividends paid are more fully described in note 4. The Company has loans with related parties, more fully described in note 11. Interest receivable and payable on these loans is more fully described in notes 5 and 6.

The Company received £60,000 from Eversholt Rail Limited for consultancy services (2019: £60,000).

### 20 Contingent liabilities

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

### 21 Subsequent events

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