

Eversholt Finance Holdings Limited

Annual report and financial statements
for the year ended 31 December 2021

Registered No. 07327371

Annual report and financial statements

for the year ended 31 December 2021

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Strategic report

for the year ended 31 December 2021

Business review

During the year and up to the date of signing the financial statements, Eversholt Finance Holdings Limited (the “Company”) continues to own all of the ordinary share capital of Eversholt Funding plc. The Company forms part of the Eversholt UK Rails Group (“Group”) more fully described in note 11.

As at 31 December 2021 the Company had net assets of £26,313 (2020: £26,087).

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

During the year the Company generated a profit of £226 (2020: £516). There was no pre-tax income or expense in 2021 and 2020. Other than the receipt of group relief and tax benefit, the Company has had no other reportable transactions in 2021 in light of its expected voluntary liquidation in 2022. Liquidation has been deferred from 2020, although at this stage no formal commitment has been made to this effect.

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 10 of the financial statements.

The principal business risk for the Company is the risk of diminution in the value of the investment in Eversholt Funding plc.

COVID-19

The Directors have considered the potential impacts of COVID-19 upon the Company. 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.

Given the nature of the Group’s underlying contracts, the Directors have a good degree of certainty over its cashflows in the short to medium term and do not expect any significant negative impacts arising from the pandemic over the next 12 months. However, one area of potential impact upon the Group’s business in the longer term is a sustained decline in demand for passenger rolling stock, given the pandemic’s impact on commuting and transport habits. The extent to which passenger numbers recover in the medium to long-term is uncertain, albeit this may not necessarily adversely affect rolling stock capacity requirements. 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 Directors continue to keep the demand for its passenger rolling stock under review as the full impact of COVID-19 emerges. 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 10. In light of the above therefore, the Directors consider the key critical judgement in reaching this conclusion to be the medium to long-term demand for passenger rolling stock.

Financial performance

The Company’s results for the year are detailed in the Income statement on page 10.

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 2021

Business environment

The Directors monitor the business environment in which the Company's subsidiary operates 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 their duty to promote the interests of the Company under section 172 Companies Act 2006, the Directors have had regard to the Company's particular circumstances and how these affect their actions. Specifically, the Company:

- is the holding company for Eversholt Funding plc and is itself a wholly owned subsidiary;
- does not undertake any transactions other than the preparation of tax computations and to account for any group tax relief surrendered to/by fellow group undertaking;
- has no employees, nor any external stakeholders;
- is funded through equity and an intercompany loan; and
- is expected to be liquidated in 2022.

In light of the above therefore, the Directors do not consider the factors listed in section 172(1)(a), (b), (c), (d) and (f) set out below, as relevant to the proper discharge of their responsibilities:

- (a) the likely consequences of any decision in the long term;
- (b) the interests of the Company's employees;
- (c) the need to foster the Company's business relationships with suppliers, customers and others;
- (d) the impact of the Company's operations on the community and the environment; and
- (f) the need to act fairly as between members of the company.

In relation to Section 172(1)(e) - the desirability of the Company maintaining a reputation for high standards of business conduct – the Directors recognise this matter is vital in the context of its limited operations. The Company expects all counterparties to its transactions to always act with integrity, acting openly, honestly and ethically. The Company has zero tolerance to fraud and consistently maintains effective oversight and scrutiny processes, executed with independence and impartiality.

As regards the Company's investment in Eversholt Finance plc, the Directors of the Company also draw attention to the Section 172(1) statement set out in the Annual report and financial statements of Eversholt Finance plc for the year ended 31 December 2021. The statement describes how the directors of that company, discharge their duties under section 172 Companies Act 2006.

Approved by the Board and signed on its behalf:



M B Kenny

Director

Registered Office:
Ground Floor
WeWork 1 Waterhouse Square
138-142 Holborn
London
EC1N 2ST
United Kingdom

28 February 2022

Directors' report

for the year ended 31 December 2021

The Directors present their Annual report together with the audited financial statements for the year ended 31 December 2021.

Directors

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

Name

M B Kenny
A J Wesson
D Spence
L R Warsop

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 provisions 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.

During 2020 and 2021:

- the Company did not consume any energy within the scope of the Regulations and therefore has been excluded from disclosure;
- the only company within the Eversholt UK Rails Group that consumed energy is Eversholt Rail Limited, from which the Company had received services during the year. Information required by the Regulations in respect of Eversholt Rail Limited is set out in its Annual report and financial statements for the year ended 31 December 2021.

Risk management

Details of the Company's risk management are set out in the Strategic Report.

Future developments

It is currently anticipated that the Company will be voluntarily liquidated in 2022 at a time yet to be determined as part of the ongoing simplification of the Group structure.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2021 (2020: £nil).

Directors' report (continued)

for the year ended 31 December 2021

Going concern basis

The Company has not traded during 2021. The Directors recognise this situation and consider the year-end position of the Company to be satisfactory. As part of the ongoing simplification of the Group structure it was anticipated that the Company would be voluntarily liquidated in 2021. This is now rescheduled for 2022. The Company therefore is not a going concern. As such, the financial statements have been prepared on a basis other than that of a going concern as required by IAS 1 "Presentation of Financial Statements".

The carrying value of the assets and liabilities held by the Company have been reassessed and recorded at their realisable value.

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the potential impact of COVID-19 upon the business described above.

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 UK 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:
Ground Floor
WeWork 1 Waterhouse Square
138-142 Holborn
London
EC1N 2ST
United Kingdom

28 February 2022

Statement of Directors' responsibilities

for the year ended 31 December 2021

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 issued by the International Accounting Standards Board ("IASB") and endorsed for use in the UK by the UK Endorsement Board, referred to as "UK-adopted IFRS". Refer to note 2 for more details. 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 28 February 2022 and signed on their behalf by:



M B Kenny
Director

Registered Office:
Ground Floor
WeWork 1 Waterhouse Square
138-142 Holborn
London
EC1N 2ST
United Kingdom

Independent Auditor's report to the Members of Eversholt Finance Holdings Limited for the year ended 31 December 2021

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Eversholt Finance Holdings Limited (the 'company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; 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 13.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

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.

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 2.3 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

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 respect of these matters.

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

for the year ended 31 December 2021

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.

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, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the 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, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated 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 internal audit reports.

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

for the year ended 31 December 2021

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

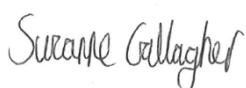
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

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

Reading

United Kingdom

28 February 2022

Income statement

for the year ended 31 December 2021

	Note	2021 £	2020 £
Profit before tax		-	-
Income tax credit	4	<u>226</u>	<u>516</u>
Profit after tax		<u>226</u>	<u>516</u>

All above activities are from discontinued operations.

The notes on pages 14 to 21 form an integral part of these financial statements.

Statement of comprehensive income

for the year ended 31 December 2021

There was no comprehensive income and expense other than the result for the year as shown above (2020: £nil).

Statement of financial position

as at 31 December 2021

	<i>Note</i>	2021 £	2020 £
Assets			
Non-current assets			
Investment in subsidiary	6	<u>50,000</u>	<u>50,000</u>
Current assets			
Current tax		<u>226</u>	<u>264</u>
Total assets		<u>50,226</u>	<u>50,264</u>
Liabilities and equity			
Current liabilities			
Borrowings	7	<u>23,913</u>	<u>24,177</u>
		<u>23,913</u>	<u>24,177</u>
Total liabilities		<u>23,913</u>	<u>24,177</u>
Share capital	8	<u>50,000</u>	<u>50,000</u>
Accumulated deficit		<u>(23,687)</u>	<u>(23,913)</u>
Total equity		<u>26,313</u>	<u>26,087</u>
Total equity and liabilities		<u>50,226</u>	<u>50,264</u>

The notes on pages 14 to 21 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 28 February 2022. They were signed on its behalf by:



A J Wesson

Director

Company registration number 07327371

Statement of cash flows

for the year ended 31 December 2021

	Note	2021 £	2020 £
Cash flow from operating activities			
Profit before tax		-	-
Operating cash flow before changes in working capital		-	-
Decrease in trade and other payables		-	(580)
Cash utilised in operating activities		-	(580)
Receipt in respect of group relief	4	264	252
Net cash generated by/(utilised in) operating activities		264	(328)
Cash flow from financing activities			
Movement in intercompany loan with Eversholt Rail Limited	7	(264)	328
Net cash (utilised in)/generated by financing activities		(264)	328
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 2021

	Share capital £	Accumulated deficit £	Total equity £
Balance at 1 January 2020	50,000	(24,429)	25,571
Total comprehensive income	-	516	516
Balance at 31 December 2020	<u>50,000</u>	<u>(23,913)</u>	<u>26,087</u>
Total comprehensive income	-	226	226
Balance at 31 December 2021	<u>50,000</u>	<u>(23,687)</u>	<u>26,313</u>

Notes to the annual financial statements

for the year ended 31 December 2021

1. General Information

Eversholt Finance Holdings Limited is a private company incorporated in England and Wales and is limited by shares (see note 8). The registered office of the Company is Ground Floor, WeWork 1 Waterhouse Square, 138-142 Holborn, London, EC1N 2ST, United Kingdom.

2. Basis of Preparation

These financial statements are presented in £s, unless otherwise stated.

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

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, issued by the IASB and endorsed for use in the UK by the UK Endorsement Board, referred to as “UK-adopted IFRS”, in conformity with the requirements of the Companies Act 2006.

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

UK endorsed IFRSs may differ from IFRSs as issued by the IASB if, at this point in time, new or amended IFRSs have not been adopted by the UK. At 31 December 2021, there were no unendorsed standards effective for the year ended 31 December 2021 affecting these financial statements, and there was no difference between IFRSs adopted by the UK and IFRSs issued by the IASB in terms of their application to the Company.

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 amendments to standards which were UK endorsed and were effective for accounting periods beginning on or after 1 January 2021, unless otherwise indicated. They have no material effect on the financial statements:

- interest Rate Benchmark Reform— Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); and
- Covid-19-related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) - effective for annual reporting periods beginning on or after 1 April 2021.

At 31 December 2021, 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 2021. Subject to UK 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 2022 (all UK approved):

- annual Improvements to IFRS 2018-2020;
- onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
- property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16); and
- reference to the Conceptual Framework (Amendments to IFRS 3).

Notes to the annual financial statements (continued)

for the year ended 31 December 2021

2. Basis of Preparation (continued)

2.2 Standards and Interpretations issued by the IASB (continued)

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

- accounting Policies and Accounting Estimates (Amendments to IAS 8);
- disclosure Initiative - Accounting Policies (Amendments to IAS 1);
- deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12);
- classification of Liabilities as Current or Non-Current (Amendments to IAS 1) Deferral of Effective Date Amendment; and
- IFRS 17 Insurance Contracts; including Amendments to IFRS 17.

Effective for accounting periods beginning on or after a future date to be determined:

- extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4).

2.3 Going concern

The Company has not traded during 2021. The Directors recognise this situation and consider the year-end position of the Company to be satisfactory. As part of the ongoing simplification of the Group structure it was anticipated that the Company would be voluntarily liquidated in 2021. This is now rescheduled for 2022. The Company therefore is not a going concern. As such, the financial statements have been prepared on a basis other than that of a going concern as required by IAS 1 "Presentation of Financial Statements".

The carrying value of the assets and liabilities held by the Company have been reassessed and recorded at their realisable value.

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the potential impact of COVID-19 upon the Company described in the Strategic report.

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, except where noted in relation to standards implemented for the first time in 2021.

3.1 Income taxes

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 or loss 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 Company intends to settle on a net basis and the legal right to offset exists.

3.2 Financial instruments

Financial assets and 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 financial instruments are managed and their cash flow characteristics.

The Company holds the following class of financial instruments:

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.

Notes to the annual financial statements (continued)

for the year ended 31 December 2021

3. Summary of significant accounting policies (continued)

3.2 Financial instruments (continued)

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

3.3 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 the heading of "Operating activities", movements in intercompany loans are shown under the heading of "Financing activities".

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 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.

3.6 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 that have a significant risk of causing a material adjustment 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 2021

4. Income tax credit

	2021 £	2020 £
Current tax		
Current year tax profit	226	264
Prior year tax profit	-	252
Income tax credit	<u>226</u>	<u>516</u>

The UK corporation tax rate for the year ended 31 December 2021 and 31 December 2020 was 19%.

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

	2021 £	2020 £
Profit before tax	-	-
Taxation at corporation tax rate of 19% (2020: 19%)	-	-
UK-UK transfer pricing adjustment	226	264
Prior financial year adjustments	-	252
Income tax credit	<u>226</u>	<u>516</u>

The tax credit arises due to imputed interest expense on the interest free loan with Eversholt Rail Limited under the UK transfer pricing rules. An equivalent tax charge is included in the accounts of Eversholt Rail Limited.

5. Directors' emoluments and audit fees

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

Audit fees of £9,500 (2020: £9,400) are payable by Eversholt Rail Limited to the Company's auditor for the audit of the Company's annual financial statements.

6. Investment in subsidiary

	2021 £	2020 £
Cost at 31 December	<u>50,000</u>	<u>50,000</u>

Name of Undertaking	Class of Capital	Country of Incorporation	Type of business	Ownership Percentage 2021	Ownership Percentage 2020
Eversholt Funding plc	Ordinary Shares	England*	Financing	100%	100%

* Registered office: Ground Floor, WeWork 1 Waterhouse Square, 138-142 Holborn, London, EC1N 2ST, United Kingdom.

The Company has no indirect subsidiaries.

Notes to the annual financial statements (continued)

for the year ended 31 December 2021

7. Borrowings

	2021 £	2020 £
Current		
Eversholt Rail Limited	<u>23,913</u>	<u>24,177</u>

The intercompany loan with Eversholt Rail Limited is repayable by 4 November 2023. Borrowing entities may prepay and redraw loans until the repayment date. With effect from 1 January 2019, it was agreed that no interest would be charged on borrowings in light of the Company's expected voluntary liquidation.

The intercompany loan with Eversholt Rail Limited is presented as a current liability as at 31 December 2021 as it is anticipated that the Company will be voluntarily liquidated in 2022. This loan will be repaid before the Company is liquidated.

The reconciliation of liabilities arising from financing activities is as follows:

31 December 2021	As at 31 December 2020 £	Cash flows payment £	Non-cash movement £	As at 31 December 2021 £
Financing activities attributable to:				
Borrowings	<u>24,177</u>	<u>(264)</u>	<u>-</u>	<u>23,913</u>
31 December 2020	As at 31 December 2019 £	Cash flows receipt £	Non-cash movement £	As at 31 December 2020 £
Financing activities attributable to:				
Borrowings	<u>23,849</u>	<u>328</u>	<u>-</u>	<u>24,177</u>

8. Share capital

	2021 £	2020 £
Authorised, allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

9. 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 2021 and 31 December 2020.

10. 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, and liquidity risk. The Company is not exposed to market risk which includes foreign exchange risk and interest rate risk. In addition, there are risks associated with the COVID-19 pandemic, details of which are considered in the Strategic Report.

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 considered in note 3.6.

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 subsidiary

The Company monitors the performance of its subsidiary on an ongoing basis having regards to the environment in which it operates and the risks to which it is exposed.

Notes to the annual financial statements (continued)

for the year ended 31 December 2021

10. Risk management (continued)**Capital risk management**

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 a fellow group undertaking and equity from its immediate parent.

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

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 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 as the loan carries no interest as analysed below by the contractual due date.

	Carrying value £	Contractual cash flows £	On demand £	Due within 1 year £	Due between 1-5 years £	Due after 5 years £
31 December 2021						
Financial liabilities						
Non-derivative instruments						
- Borrowings	23,913	23,913	-	-	23,913	-
Total financial instruments	(23,913)	(23,913)	-	-	(23,913)	-
	Carrying value £	Contractual cash flows £	On demand £	Due within 1 year £	Due between 1-5 years £	Due after 5 years £
31 December 2020						
Financial liabilities						
Non-derivative instruments						
- Borrowings	24,177	24,177	-	-	24,177	-
Total financial instruments	(24,177)	(24,177)	-	-	(24,177)	-

In the Statement of financial position, borrowings have been presented as "Current Liabilities" on the basis that they are expected to be settled in 2022.

Notes to the annual financial statements (continued)

for the year ended 31 December 2021

11. Related party transactions

11.1 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
- Eversholt UK Rails (Holding) Limited
- European Rail Finance Holdings Limited
- Eversholt Investment Limited
- Eversholt Rail Leasing Limited
- Eversholt Rail Holdings (UK) Limited (dissolved on 4 February 2020)
- Eversholt Funding plc
- Eversholt Rail Limited
- Eversholt Depot Finance Limited
- European Rail Finance Limited
- European Rail Finance (2) Limited

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

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

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

The parent undertaking of the largest 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 parent undertaking of the smallest group of undertakings for which group financial statements are drawn up and which the Company is a member of, is Eversholt UK Rails (Holding) Limited.

Copies of the consolidated 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

Copies of the consolidated financial statements of Eversholt UK Rails (Holding) Limited may be obtained from the following registered address:

Ground Floor
WeWork 1 Waterhouse Square
138-142 Holborn
London
EC1N 2ST

11.2 Transactions with related parties

The Company has a loan account with a fellow group undertaking more fully described in note 7. Interest on this account for the year amounted to an expense of £nil (2020: £nil).

12. Contingent liabilities

There were no contingent liabilities for the Company at 31 December 2021 (2020: £nil).

Notes to the annual financial statements (continued)

for the year ended 31 December 2021

13. Subsequent events

There are no subsequent events requiring disclosure in the financial statements, other than the proposed liquidation of the Company in 2022.