

# **Eversholt Rail Limited**

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

**Registered No: 06953114**

## **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 Rail Limited (the “Company”), provided asset management and administrative services on an arm’s length basis to other companies in the Eversholt UK Rails Group (“Group”) more fully described in note 30. These included the procurement and management of heavy maintenance on rolling stock, asset management services and consultancy services. The Company also manages utilisation of the Group’s senior debt to fund the activities of other group undertakings and is responsible for day to day cash management for the Group.

The Company 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, the parent company of the Group.

In the year the Company generated a profit of £7,101,000 (2020: £15,514,000). As at 31 December 2021 the Company had net assets of £181,168,000 (2020: £170,305,000). The average number of persons employed by the Company during the year was 102 (2020: 107).

### Risk management

Underpinning all of the Group’s activities is the primary requirement to effectively manage safety risks. The Company employs highly skilled engineers to manage safety risks in accordance with guidance provided by specialists who monitor safety performance and legislative requirements.

The principal commercial risk for the Company arises in respect of its long-term maintenance contracts. This risk is managed by close monitoring of maintenance expenditure incurred against forecasts which are informed by maintaining an excellent knowledge of the condition of the Group’s fleets of rolling stock.

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 27 of the financial statements.

### COVID-19

The Directors have considered the potential impacts of COVID-19 upon the Company and its ability to meet commitments for 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.

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 27. 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.

## Strategic report (continued)

for the year ended 31 December 2021

### Financial performance

The Company's results for the financial year are detailed in the Income statement on page 15.

The Directors consider maintenance income and profit before tax to be the key performance indicators for the Company. Maintenance income for the year was £60,120,000 (2020: £42,877,000), the increase reflects the extent of heavy maintenance of rolling stock, which the Company procures and manages on behalf of its customers, occurring in the year. Profit before tax for the year was £7,101,000 (2020: 15,514,000), the decrease principally reflecting the non-recurrence of a gain recognised in 2020 in relation to loans from Eversholt Funding plc.

### 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. As a wholly owned subsidiary, the Directors do not consider the factor listed in section 172(1)(f) (need to act fairly between the members of the Company) is relevant to the proper discharge of their duty under section 172.

The business of the Company is the provision of asset management and administrative services to other group companies. The Company employs all the employees of the Group.

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

The Company operates in a sector characterised by long-term relationships between stakeholders, driven by a relatively small number of market participants. Maintaining a reputation for high standards of business conduct is vital and the Company expects all members of the supply chain to always act with integrity, acting openly, honestly and ethically. The Company has zero tolerance to fraud and consistently maintains effective control, oversight and scrutiny processes, executed with independence and impartiality. Integrity is underpinned with policies in relation to bribery and corruption, data protection, equality, diversity and inclusion, modern slavery, fraud and whistleblowing, each of which is reinforced through appropriate training. In addition to the core values, compliance with these requirements together with the Company's corporate responsibility commitments, provide the framework within which the Company operates both internally and in the marketplace. Suppliers and contractors are also expected to behave in a consistent manner.

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 are 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 operations, promoting long-term strategic decision-making. These factors also drive a continuing focus on the maintenance of durable relationships with stakeholders, built on the Group's reputation with customers and suppliers.

Details of the Code of Practice that sets out the basis on which the wider Group deals with customers and other stakeholders, and other methods of stakeholder engagement designed to maintain the Group's reputation for high standards of business conduct, 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 2021.

During 2021, the Board has made decisions in relation to maintenance activities.

#### *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.

## Strategic report (continued)

for the year ended 31 December 2021

### Section 172(1) statement (continued)

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; principally the Office of Rail and Road (“ORR”), the Department for Transport, 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.

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

- the Group's customers;
- industry regulators;
- the Group's suppliers;
- the Group's employees; and
- the Group's owners.

During the COVID-19 pandemic, the Company continued to actively manage its employees' health and wellbeing. Employee feedback on working remotely was gathered and as a result, various initiatives were rolled out such as online weekly fitness sessions and externally facilitated learning in areas such as resilience. The Company continued to hold its company briefs remotely, which ensured that all staff were kept updated on the business and provided an opportunity for employees to ask any questions of the leadership team. In 2021, the Company commissioned an expert third party to conduct an anonymous employee survey to gather employee perspectives on inclusion. While 80% of colleagues thought the Company provides an inclusive work environment, 20% were unsure how to respond. In response, the Company conducted an anonymous 'Let's Talk About Inclusion' survey and an employee workshop, both facilitated by a third-party."

Further 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 2021.

#### *Impact on the environment and the community*

In addition to understanding and having regard to the interests of these stakeholder groups, the Company is committed to reducing the environmental impact of the Group's leased fleet. Further information on the steps taken to reduce the environmental impact of the Group's operations, and on the Group's participation in industry discussions in response to the UK Government's challenge to the UK rail industry to remove all diesel-only trains by 2040, are set out in the corporate governance statement set out within the Annual report and financial statements of Eversholt UK Rails Limited for the year ended 31 December 2021 (“Parent Governance Statement”).

The Company strives to make a positive impact in the community. Further information on the Group's community and charitable activities in which the Company directly participates is set out in the Parent Governance Statement.

**Strategic report (continued)**

for the year ended 31 December 2021

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:

M B Kenny  
A J Wesson  
D Spence  
P M Sutherland  
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.

**Business environment**

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

**Streamlined energy and carbon reporting**

In preparing the Directors' report, the Company has implemented the 'Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018' (the "Regulations"), effective from 1 January 2020. In this respect the Company provides the following information in respect of the year ended 31 December 2021:

Greenhouse Gas ("GHG") Emissions & Energy Use Data for the year ended 31 December 2021, together with comparative:

<b>Year ended 31 December</b>	<b>2021</b>	<b>2020</b>
Gas combustion (kWh)	-	-
Fuel consumption for transport purposes (kWh)	<b>40,410</b>	8,778
Electricity usage (kWh)*	<b>239,309</b>	168,069
Emissions from combustion of gas, tCO <sub>2</sub> e (Scope 1)	-	-
Emissions from combustion of fuel for transport purposes, tCO <sub>2</sub> e (Scope 1)	-	-
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel, tCO <sub>2</sub> e(Scope 3)	<b>9.94</b>	2.18
Emissions from purchased electricity, tCO <sub>2</sub> e (Scope 2, location-based)*	<b>50.81</b>	39.18
Total gross CO <sub>2</sub> e based on above, tCO <sub>2</sub> e	<b>60.75</b>	41.36

**Directors' report (continued)**

for the year ended 31 December 2021

**Streamlined energy and carbon reporting (continued)**

Year ended 31 December	2021	2020
Intensity ratio: tCO <sub>2</sub> e/employee (102 employees in 2021 and 107 in 2020)	<b>0.60</b>	0.38
Methodology	<b>All tCO<sub>2</sub>e emissions have been calculated using 2021 UK Government GHG conversion factors for Company Reporting</b>	All tCO <sub>2</sub> e emissions have been calculated using 2020 UK Government GHG conversion factors for Company Reporting

\* In 2021, the Company relocated to new offices. The 2021 figures reflect energy consumption from the Company's new and previous offices which are still leased until June 2022. Therefore, the increase in usage and emissions in 2021 is anticipated to be a temporary feature.

**(a) Energy efficiency action taken:**

In the period covered by the report, energy efficiency actions continue to be taken where possible and within the control of the Company. With the Company now occupying serviced accommodation, energy initiatives are largely undertaken by the property managers. The Cycle to Work scheme encourages our workforce to adopt greener modes of transport.

**(b) Reporting methodology:**

GHG emissions have been calculated in accordance with HM Government's 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance', March 2019 update.

In order to calculate emissions '2021 UK Government GHG Conversion Factors for Company Reporting' have been used. Calculated GHG emissions have been rounded to 2 decimal places.

Electricity consumption data was provided by the relevant landlords in kWh's. kWh's have been converted to tCO<sub>2</sub>e using the above described GHG conversion factors.

Grey fleet usage was provided as a breakdown of millage. Mileage figures were converted into tCO<sub>2</sub>e using '2021 UK Government GHG Conversion Factors for Company Reporting'. Fuel source(s) and engine(s) size of were unknown, therefore the conversion factor for an average car size and unknown fuel source was applied.

The comparative information for 2020 was calculated as follows:

- All tCO<sub>2</sub>e emissions were calculated using 2020 UK Government GHG conversion factors for Company Reporting.
- Electricity consumption was calculated from landlord invoicing which provided kWh totals. Amounts for October to December 2020 were determined by reference to consumption for the comparative period. Transport fuel consumption was calculated by applying vehicle fuel efficiency figures (listed in 2020 UK Government GHG conversion factors for Company Reporting) to annual vehicle mileage, annual kWh totals were then calculated.

**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. Further information is included in the Strategic report.



## **Directors' report (continued)**

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**

In summer 2021, the UK Government announced that a new organisation, Great British Railways ("GBR") will be created through the amalgamation of Network Rail, some elements of the DfT and elements of other cross industry organisations such as the Rail Delivery Group. Whilst precise plans have not yet been set out for the roll-out of, and transition to, GBR, it is expected that GBR will go live at some time during 2024 as described in the Strategic report – Business environment of the Annual report and financial statements of Eversholt UK Rails (Holding) Limited.

During the year and having regard to its Environmental, Social and Governance ("ESG") responsibilities, the Group commenced a review of its profile and performance from an ESG perspective. This work will support future initiatives to ensure that our governance processes are appropriately focussed and communicated.

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

### **Dividends**

No dividend was paid in the year (2020: £nil). Dividend payments are reflected in the financial statements in the year in which they are declared.

### **Going concern basis**

The Directors have considered the Company's forecasts and projections, taking account of reasonably possible changes in trading performance, including the potential impact of COVID-19.

As well as its own resources, the Company is 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. In relation to the Security Group, the Directors have considered: its forecasts and projections; current financial resources (including cash of £225,064,000 (2020: £81,534,000) and undrawn committed borrowing facilities of £600,000,000 as at 31 December 2021 (2020: £600,000,000 undrawn)); 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 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.

Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

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

### **Disclosure of information to the auditor**

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

### **Auditor**

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

**Directors' report (continued)**

for the year ended 31 December 2021

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 ("IFRS") as issued by the 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 Rail 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 Rail 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 32.

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.

#### **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 Rail Limited (continued)**

for the year ended 31 December 2021

### **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 respect of these matters.

### **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:

## **Independent Auditor's Report to the Members of Eversholt Rail Limited (continued)**

for the year ended 31 December 2021

### **Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)**

- 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; 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 including relevant internal specialists such as tax, IT and pensions specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address that is described below:

- Revenue recognition: We are required by auditing standards (ISA 240) to presume there is a fraud risk in relation to revenue recognition and conduct our audit testing accordingly. We have pinpointed this risk to the accuracy of maintenance income recognised in line with contractual arrangements. There is the risk present owing to the fact that management's judgement is required in allocating amounts to be recognised as deferred income or revenue.

Our procedures to respond to the risk identified included the following:

- We assessed the revenue recognition policies for maintenance income in accordance with IFRS, and looked for any changes with the prior year policy. The assessment of key controls around the revenue cycle was performed to ensure that the business process has sufficient controls in place to support whether revenue has been recognised appropriately and in the correct period. Test of details was performed around the deferred income balance, to ensure that management's estimate is reasonable and appropriate.

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 correspondence with relevant tax authorities.

## **Independent Auditor's Report to the Members of Eversholt Rail 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

	<i>Note</i>	2021 £'000	2020 £'000
<b>Revenue</b>			
Maintenance income	4.1	60,120	42,877
Service fee income	4.1	23,218	20,962
Other income	4.1	2,739	3,340
<b>Total revenue</b>		<u>86,077</u>	<u>67,179</u>
Cost of sales	5	(51,519)	(36,538)
<b>Gross profit</b>		34,558	30,641
Finance income	6	115,432	122,669
Finance expense	7	(109,986)	(121,377)
Pension finance expense	26.6	(115)	(124)
Administrative expense	8	(23,019)	(23,492)
Other gains	21	-	11,354
<b>Profit before tax</b>		<u>16,870</u>	<u>19,671</u>
Income tax charge	11	(9,769)	(4,157)
<b>Profit for the year</b>		<u>7,101</u>	<u>15,514</u>

There were no discontinued or discontinuing operations during the year.

The notes on pages 19 to 47 form an integral part of these financial statements.

**Statement of comprehensive income**

for the year ended 31 December 2021

	<i>Note</i>	2021 £'000	2020 £'000
Profit for the year		7,101	15,514
<b>Other comprehensive income/(expense)</b>			
Actuarial gain/(loss) on defined benefit scheme	26.7	4,302	(2,057)
Tax (loss)/credit in respect of actuarial gain/(loss) on defined benefit scheme	24	(540)	521
<b>Total other comprehensive income/(expense)</b>		<u>3,762</u>	<u>(1,536)</u>
<b>Total comprehensive income for the year</b>		<u>10,863</u>	<u>13,978</u>

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



**Statement of financial position**

as at 31 December 2021

	Note	2021 £'000	2020 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	41	467
Right-of-use assets	14	-	1,964
Deferred tax	24	2,279	2,591
Amounts owed by group undertakings	18	<u>2,030,457</u>	<u>2,364,906</u>
		<u>2,032,777</u>	<u>2,369,928</u>
<b>Current assets</b>			
Inventory	15	151	302
Trade and other receivables	16	9,717	2,548
Contract assets	4.2	2,855	2,037
Amounts owed by group undertakings	18	65,064	62,268
Current tax		14,992	11,129
Cash and cash equivalents	19	<u>214,806</u>	<u>61,965</u>
		<u>307,585</u>	<u>140,249</u>
<b>Total assets</b>		<u><u>2,340,362</u></u>	<u><u>2,510,177</u></u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	20	27,975	25,151
Lease liabilities	17	372	744
Borrowings	21	74,527	60,620
Provisions	23	165	-
		<u>103,039</u>	<u>86,515</u>
<b>Non-current liabilities</b>			
Retirement benefit obligations	26.5	5,026	8,915
Borrowings	21	2,040,562	2,188,760
Contract liabilities	4.2	10,567	53,364
Lease liabilities	17	-	2,153
Provisions	23	-	165
		<u>2,056,155</u>	<u>2,253,357</u>
<b>Total liabilities</b>		<u><u>2,159,194</u></u>	<u><u>2,339,872</u></u>
<b>Equity</b>			
Share capital	25	100,000	100,000
Retained earnings		<u>81,168</u>	<u>70,305</u>
<b>Total equity</b>		<u><u>181,168</u></u>	<u><u>170,305</u></u>
<b>Total equity and liabilities</b>		<u><u>2,340,362</u></u>	<u><u>2,510,177</u></u>

The notes on pages 19 to 47 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: 06953114

**Statement of cash flows**

for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
<b>Cash flow from operating activities</b>			
Profit before tax		16,870	19,671
Adjustments for:			
- Depreciation of property, plant and equipment	8	438	246
- Depreciation of right-of-use assets	8	233	489
- Profit on reassessment of lease term	8	(57)	-
- Write down of inventory	8	151	209
- Finance income	6	(115,432)	(122,669)
- Finance expense	7	109,986	121,377
- Adjustment for non-cash element of pension charge		413	342
<b>Operating cash flow before changes in working capital</b>		<b>12,602</b>	<b>19,665</b>
(Increase)/decrease in trade and other receivables	16	(7,169)	586
(Increase)/decrease in contract assets	4.2	(818)	2,531
Increase/(decrease) in trade and other payables		4,111	(3,979)
(Decrease)/increase in contract liabilities	4.2	(42,797)	29,368
Decrease in provision	23	-	(36)
<b>Cash flow (utilised in)/generated by operating activities</b>		<b>(34,071)</b>	<b>48,135</b>
Taxation paid		(13,860)	(32,091)
<b>Net cash (utilised in)/generated by operating activities</b>		<b>(47,931)</b>	<b>16,044</b>
<b>Cash flow from investing activities</b>			
Movement in intercompany loan accounts	22	328,088	183,035
Movement in term lending to Eversholt Rail Leasing Limited	22	118,759	118,759
Acquisition of property, plant and equipment	13	(12)	(365)
<b>Net cash generated by investing activities</b>		<b>446,835</b>	<b>301,429</b>
<b>Cash flow from financing activities</b>			
Movement in intercompany loan accounts	22	(203,925)	(213,188)
Movement in loan from Eversholt Funding plc	22	(39,927)	(56,305)
Repayment of lease liability	17	(764)	(766)
Finance income received	6	238	624
Finance expense paid	7	(1,685)	(1,682)
<b>Net cash utilised in financing activities</b>		<b>(246,063)</b>	<b>(271,317)</b>
Net movement in cash and cash equivalents		152,841	46,156
Cash and cash equivalents at the beginning of the year		61,965	15,809
<b>Cash and cash equivalents at the end of the year</b>	19	<b>214,806</b>	<b>61,965</b>

**Statement of changes in equity**

for the year ended 31 December 2021

	Note	Share capital £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2020</b>		<u>100,000</u>	<u>56,327</u>	<u>156,327</u>
Profit for the year		-	15,514	15,514
Actuarial loss on defined benefit scheme	<b>26.7</b>	-	(2,057)	(2,057)
Income tax on other comprehensive income	<b>24</b>	-	521	521
<b>Total comprehensive income</b>		<u>-</u>	<u>13,978</u>	<u>13,978</u>
<b>Balance at 31 December 2020</b>		<u><b>100,000</b></u>	<u><b>70,305</b></u>	<u><b>170,305</b></u>
Profit for the year		-	7,101	7,101
Actuarial gain on defined benefit scheme	<b>26.7</b>	-	4,302	4,302
Income tax on other comprehensive income	<b>24</b>	-	(540)	(540)
<b>Total comprehensive income</b>		<u>-</u>	<u>10,863</u>	<u>10,863</u>
<b>Balance at 31 December 2021</b>		<u><b>100,000</b></u>	<u><b>81,168</b></u>	<u><b>181,168</b></u>

No dividend was paid in the year (2020: £nil).

## Notes to the annual financial statements

for the year ended 31 December 2021

### 1 General Information

Eversholt Rail Limited is a private company incorporated in England and Wales and is limited by shares (see note 25). 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 £'000. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

#### 2.1 Compliance with IFRSs

The financial statements of Eversholt Rail Limited have been prepared on the historical cost basis except for the derivative financial instruments measured at fair value. These financial statements have been prepared in accordance with IFRSs, 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", 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 2021. 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).

Adopting these amendments enables the Company to reflect the effects of transitioning from an interbank offered rate (London Inter-Bank Offered Rate – "LIBOR") to an alternative benchmark interest rate (Sterling Overnight Index Average – "SONIA") plus an appropriate credit adjustment spread, without giving rise to accounting impacts that would not provide useful information to users of financial statements. In summary, the only modification made to financial instruments is the change from LIBOR to SONIA plus an appropriate credit adjustment spread and the new basis for calculating cash flows is "economically equivalent" to the previous basis. Under the amendments therefore:

- i) the effective interest rate on floating-rate financial instruments is adjusted;
- ii) the formal designation of hedge relationships is amended and hedge accounting will continue; and
- iii) the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges is deemed to be based on the alternative benchmark rate.

The Company has applied the amendments retrospectively. However, there have no adjustments to either the prior period nor to the components of equity as at 1 January 2021; 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

## 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)

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).

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 Directors have considered the Company's forecasts and projections, taking account of reasonably possible changes in trading performance, including the potential impact of COVID-19.

As well as its own resources, the Company is 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. In relation to the Security Group, the Directors have considered: its forecasts and projections; current financial resources (including cash of £225,064,000 (2020: £81,534,000) and undrawn committed borrowing facilities of £600,000,000 as at 31 December 2021 (2020: £600,000,000 undrawn)); 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 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.

Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

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

## Notes to the annual financial statements (continued)

for the year ended 31 December 2021

### 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 Maintenance income, costs, contract assets and liabilities

Following the industry standard and as acknowledged by legislation, heavy maintenance services provided to successive lessees are based on a whole-of-life model. Amounts received under these arrangements that relate to maintenance services to be performed in future years are included in contract liabilities. When maintenance services are performed, the cost of which will be recovered under these arrangements only in future years, the future recoverable amount is included in contract assets. Revenue from maintenance services rendered is recognised when the services are provided and performance obligations satisfied. In all cases maintenance service costs are expensed as incurred.

#### 3.2 Finance income and expense

Finance income and expense for all interest bearing non-derivative financial instruments is recognised in "Finance income" and "Finance expense" in the Income statement using the effective interest rate method. The effective interest rate method is a way of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant periods.

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

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

Finance expense also includes interest payable in relation to derivative instruments and lease liability interest, as well as interest on overdue tax.

#### 3.3 Fees and other income

Income is recognised on satisfaction of the performance obligation in relation to the service required by the customer and when control of that service is passed to the customer. Income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in "Finance income".

#### 3.4 Income tax

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

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

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

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

- (a) there is a legally enforceable right to set off current tax assets against current tax liabilities; and

## Notes to the annual financial statements (continued)

for the year ended 31 December 2021

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

#### 3.4 Income tax (continued)

- (b) the deferred tax assets and the deferred tax liabilities relate to income tax levied by the same taxation authority on either:
  - (i) the same taxable entity; or
  - (ii) different taxable entities that intended to either settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

#### 3.5 Property, plant and equipment

Equipment, fixtures and fittings are stated at cost being the fair value at acquisition date less any impairment losses and depreciation calculated on a straight-line basis to write down the assets over 2 to 5 years.

The depreciation charge is included within Administrative expense in the Income statement.

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

At each reporting date, the Company reviews the carrying value of its property, plant and equipment, which includes fixtures and fittings to determine whether there is any indication that the assets have suffered an impairment loss. If there is an indication that impairment exists, the recoverable amount of the asset is estimated to determine the extent of the impairment.

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

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

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

#### 3.6 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.

##### 3.6.1 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, trade and other receivables**

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 loans are 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 2021

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

#### 3.6 Financial instruments (continued)

##### 3.6.1 Classification and measurement (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 classified as either financial liabilities at "fair value through profit or loss" or "other" financial liabilities.

Other than derivative 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, other than derivatives 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.

##### 3.6.2 Impairment of financial assets

Allowance for lifetime expected credit losses ("ECL") is recognised for "Trade receivables" and "Contract assets" which result from transactions within the scope of IFRS 15 and which do not contain a significant financing component. As such assets are measured at amortised cost.

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

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

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

##### 3.6.3 Restructuring/renegotiation of financial instruments

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

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

##### 3.6.4 Offsetting financial assets and financial liabilities

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



## Notes to the annual financial statements (continued)

for the year ended 31 December 2021

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

#### 3.6 Financial instruments (continued)

##### 3.6.5 Derivatives and hedge accounting

Derivative financial instruments are recognised at fair value. Where derivatives do not qualify for hedge accounting the gain or loss on remeasurement to fair value is recognised immediately in the Income statement. However, where derivatives qualify for hedge accounting, the Company recognises the effective part of any gain or loss on the derivative financial instrument in Other comprehensive income, which is accounted for in the Hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Income statement. The effective part of any gain/loss is the lower of:

- (a) the cumulative gain or loss on the hedging instrument from hedge inception; and
- (b) the cumulative gain or loss in the fair value of hedged item from hedge inception.

When the hedging relationship ends the hedging gain or loss recognised in Other comprehensive income is reclassified to the Income statement when the hedged item is recognised in the Income statement. When the hedged item relates to a capital expenditure transaction and the hedging relationship ends, the hedging gain or loss recognised in Other comprehensive income is amortised to Property, plant and equipment over the life of the hedged item. Movements in deferred tax relating to the effective portion of changes in fair value of derivatives qualifying for hedge accounting are recognised in Other comprehensive income and accumulated in the Hedging reserve.

Fair values are obtained from quoted market prices in active markets, or by using valuation techniques, including recent market transactions, where an active market does not exist. Valuation techniques include discounted cash flow models and option pricing models as appropriate. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

##### 3.6.6 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 2021

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

#### 3.7 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 due from/to group undertakings are shown under the headings of “Investing activities” and “Financing activities” respectively.

#### 3.8 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.

#### 3.9 Retirement benefit obligations

The Company provides defined benefit and defined contribution schemes for directors and staff. The defined benefit scheme is funded by contributions partly from the employees and partly from the Company at rates assessed by an independent actuary. These contributions are invested separately from the Company’s assets.

The Company’s net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual year to the net defined benefit liability.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in Other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in the Income statement.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The defined benefit liability recognised in the Statement of financial position represents the fair value of plan assets less present value of defined benefit obligations adjusted for unrecognised past service costs. Any net defined benefit surplus is limited to unrecognised past service costs plus the present value of available refunds and reductions in future contributions to the plan.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### 3.10 Inventories

Inventories are stated at the lower of cost and net realisable value.

#### 3.11 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The provision is recognised as the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of these cash flows.

## Notes to the annual financial statements (continued)

for the year ended 31 December 2021

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

#### 3.12 Accounting for lease transactions

##### The Company as lessee

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

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

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

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

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

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

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

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

#### 3.13 Use of judgements, estimates and assumptions

In the application of the Company's accounting policies, the Directors 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.

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

In making their estimate of the valuation of the defined benefit pension obligation, management have made a number of assumptions, based on advice from an independent actuary. These assumptions are more fully described in note 26, together with appropriate sensitivity analysis to the significant actuarial assumptions underpinning the defined benefit obligation.

Other than in respect of the defined pension obligation and tax, described below, there are no key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting year that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

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

for the year ended 31 December 2021

**3 Summary of significant accounting policies (continued)****3.13 Use of judgements, estimates and assumptions (continued)****3.13.1 Tax**

The Company's current tax expense and current tax asset reflect management's best estimate and judgement regarding the amount of UK corporation tax payable for the current and previous periods. Management uses its judgement to evaluate uncertain tax provisions, which are assessed on advice from independent tax advisers and the status of ongoing discussions with the relevant tax authorities.

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

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

	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
Revenue from contracts with customers - Maintenance income	60,120	42,877
Service fee income	23,218	20,962
Other income	2,739	3,340
	<u>86,077</u>	<u>67,179</u>

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

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

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

Performance obligations expected to be fulfilled in relation to external customers shown within Other income:

	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
Within 1 year	2,600	3,255
1-2 years	1,600	3,255
2-5 years	4,800	10,764
>5 years	14,800	33,360
	<u>23,800</u>	<u>50,634</u>

**4.2 Contract Balances**

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

	<b>As at</b> <b>31</b> <b>December</b> <b>2021</b> <b>£'000</b>	<b>As at</b> <b>31</b> <b>December</b> <b>2020</b> <b>£'000</b>	<b>As at</b> <b>1</b> <b>January</b> <b>2020</b> <b>£'000</b>
Contract assets	2,855	2,037	4,568
Contract liabilities	10,567	53,364	23,996
Trade receivables	460	534	116

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

for the year ended 31 December 2021

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

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

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

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

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

The amount of £53,364,000 (2020: £23,996,000) recognised in contract liabilities at the beginning of the year has been recognised as revenue for the year ended 31 December 2021.

The transaction price allocated to (partially) unsatisfied performance obligations as at 31 December 2021 is set out below.

As maintenance expenditure is incurred, the Company expects that these performance obligations will be satisfied (i.e. income will be generated) in the following periods:

	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
Within 1 year	41,427	43,556
1-5 years	<u>104,840</u>	<u>98,192</u>
	<u><b>146,267</b></u>	<u><b>141,748</b></u>

**5 Cost of sales**

	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
Maintenance cost	<u>51,519</u>	<u>36,538</u>

**6 Finance income**

	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
Bank interest	238	624
Interest receivable on intercompany loan accounts	58,703	62,715
Interest receivable on term lending to Eversholt Rail Leasing Limited	<u>56,491</u>	<u>59,330</u>
	<u><b>115,432</b></u>	<u><b>122,669</b></u>

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

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

for the year ended 31 December 2021

**7 Finance expense**

	2021 £'000	2020 £'000
Interest payable to Eversholt Funding plc*	(109,561)	(118,700)
Fees payable	(1,685)	(1,682)
Lease liability interest	(27)	(69)
Other interest	1,287	(926)
	<u>(109,986)</u>	<u>(121,377)</u>

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

**8 Administrative expense**

Administrative expense includes:

	2021 £'000	2020 £'000
Foreign exchange (loss)/gain	(2)	8
Depreciation – Fixtures, fittings and equipment	(438)	(246)
Depreciation – Right-of-use assets	(233)	(489)
Profit on reassessment of lease term	57	-
Inventory write-down	(151)	(209)
Defined contribution pension costs	(779)	(781)
Fees payable to the Company's auditor for the audit of the Company's annual financial statements and for all other companies within the Group	(187)	(190)

**9 Staff numbers and costs**

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

	2021	2020
Directors	5	5
Operations	44	46
Administration	53	56
	<u>102</u>	<u>107</u>

The aggregate payroll costs of these persons were as follows:

	2021 £'000	2020 £'000
Wages and salaries	(12,047)	(11,231)
Social security costs	(1,552)	(1,436)
Contributions to defined contribution pension scheme	(779)	(781)
Defined benefit pension scheme service cost	(501)	(423)
	<u>(14,879)</u>	<u>(13,871)</u>

**10 Directors' emoluments**

	2021 £'000	2020 £'000
Directors' emoluments for services to the Company	<u>(2,383)</u>	<u>(2,401)</u>
Number of Directors who are active members of a defined benefit pension scheme	<u>0</u>	<u>1</u>

The emoluments of the highest paid Director, including benefits in kind were £938,387 (2020: £953,962).

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

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

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

for the year ended 31 December 2021

**11 Income tax charge**

	<i>Note</i>	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
<b>Current tax</b>			
UK Corporation tax on current year profit		<b>(3,492)</b>	(4,023)
Adjustment in respect of prior years		<b>(6,505)</b>	(351)
		<u><b>(9,997)</b></u>	<u>(4,374)</u>
<b>Deferred tax</b>			
Origination and reversal of temporary differences	<b>24</b>	<b>83</b>	23
Change in tax rate	<b>24</b>	<b>254</b>	87
Adjustment in respect of prior year	<b>24</b>	<b>(109)</b>	107
		<u><b>228</b></u>	<u>217</u>
<b>Income tax charge</b>		<u><b>(9,769)</b></u>	<u>(4,157)</u>

Corporation tax has been calculated by reference to the current tax rate of 19%.

Deferred tax is calculated by reference to the tax rates that apply when the corresponding deferred tax asset is realised or deferred tax liability settled. The applicable rates are those rates that have been enacted or substantively enacted by 31 December 2021 and are as follows:

<b>For periods:</b>	<b>%</b>
Prior to 1 April 2023	19
Post 31 March 2023	25

This has led to the tax charge attributable to "change in tax rate" shown in the above analysis.

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

	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
Profit before tax	<u><b>16,870</b></u>	19,671
Taxation at UK corporation tax rate of 19% (2020: 19%)	<b>(3,205)</b>	(3,737)
Amounts not deductible for tax purposes	<b>(20)</b>	(41)
Adjustment in respect of prior years	<b>(6,614)</b>	(244)
Change in tax rate	<b>254</b>	87
UK to UK transfer pricing adjustment	<b>(184)</b>	(222)
<b>Income tax charge</b>	<u><b>(9,769)</b></u>	<u>(4,157)</u>

In addition to the amount charged to the Income statement, the aggregate amount of current and deferred tax relating to components of other comprehensive income resulted in a decrease of £540,000 recognised in total comprehensive income (2020: increase of £521,000).

**12 Dividends**

No dividend was paid in the year ended 31 December 2021 (2020: £nil).

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

for the year ended 31 December 2021

**13 Property, plant and equipment**

	Fixtures and fittings £'000	Equipment £'000	Total £'000
<b>Cost</b>			
Balance at 1 January 2020	1,307	1,941	3,248
Additions	25	340	365
Disposal	-	-	-
<b>Balance at 31 December 2020</b>	<b>1,332</b>	<b>2,281</b>	<b>3,613</b>
Additions	-	12	12
Disposal	<b>(1,332)</b>	<b>(2,046)</b>	<b>(3,378)</b>
<b>Balance at 31 December 2021</b>	<b>-</b>	<b>247</b>	<b>247</b>
<b>Depreciation</b>			
Balance at 1 January 2020	1,307	1,593	2,900
Charge for the year	4	242	246
Disposal	-	-	-
<b>Balance at 31 December 2020</b>	<b>1,311</b>	<b>1,835</b>	<b>3,146</b>
Charge for the year	21	417	438
Disposal	<b>(1,332)</b>	<b>(2,046)</b>	<b>(3,378)</b>
<b>Balance at 31 December 2021</b>	<b>0</b>	<b>206</b>	<b>206</b>
<b>Carrying value at 31 December 2021</b>	<b>-</b>	<b>41</b>	<b>41</b>
Carrying value at 31 December 2020	21	446	467

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

Property, plant and equipment include software in relation to configuration and customisation costs. During the year, the Company has fully depreciated software spend that had net book value of £228,000 and useful economic life of between 5 months and 4 years at 31 December 2020. This reflects the Company's implementation of April 2021 decision by the IFRS Interpretations Committee, in relation to the configuration or customisation of application software. The Company has concluded that this spend no longer qualified for ongoing capitalisation. The disposals showing under "cost" and "depreciation" include amounts in relation to this software.



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

for the year ended 31 December 2021

**14 Right-of-use of assets**

	Land and buildings £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
As at 1 January 2020	2,436	17	2,453
Depreciation charge	(482)	(7)	(489)
<b>Balance at 31 December 2020</b>	<b>1,954</b>	<b>10</b>	<b>1,964</b>
Depreciation charge	(223)	(10)	(233)
Re-measurement*	(1,731)	-	(1,731)
<b>Balance at 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>

\*The re-measurement relates to the Company's reassessment of its option to early terminate the lease of premises at 210 Pentonville Road, London, N19JY, United Kingdom (see note 17). The reassessment has led to a profit of £57,000 (2020: nil).

**15 Inventory**

	2021 £'000	2020 £'000
Rolling stock spares	<u>151</u>	<u>302</u>

Write down in the value of inventories recognised within administrative expenses in the Income statement is an expense amounting to £151,000 (2020: £209,000). Stock is measured at the lower of cost and net realisable value.

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

**16 Trade and other receivables**

	2021 £'000	2020 £'000
Trade receivables	460	534
Other receivables	8,417	1,542
Overheads prepayment	840	472
	<u>9,717</u>	<u>2,548</u>

**17 Lease liabilities**

	Land and buildings £'000	Plant and equipment £'000	Total £'000
<b>Cost</b>			
As at 1 January	3,576	18	3,594
Interest charge	67	2	69
Payments	(766)	-	(766)
<b>Balance at 31 December 2020</b>	<b>2,877</b>	<b>20</b>	<b>2,897</b>
Re-measurement*	(1,788)	-	(1,788)
Interest charge	27	-	27
Payments	(744)	(20)	(764)
<b>Balance at 31 December 2021</b>	<b>372</b>	<b>-</b>	<b>372</b>

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

for the year ended 31 December 2021

**17 Lease liabilities (continued)**

\*During the year, the Company has revised the term of its lease of the premises at 210 Pentonville Road, London, N1 9JY, United Kingdom. The lease contains an option to early terminate in June 2022 and for years prior to 2021, the Company determined that it was reasonably certain not to exercise that option and therefore the lease term would expire in June 2025.

In light of the decision to move to new premises, the Company has exercised this option and therefore, the lease term will end in June 2022. This conclusion has given rise to the re-measurement shown above, together with a corresponding adjustment to the right-of-use asset (see note 14).

Total lease liabilities can be analysed as follows:

	2021 £'000	2020 £'000
Current	372	744
Non-current	-	2,153
	<u>372</u>	<u>2,897</u>

**Maturity of lease liabilities**

The maturity profile of the Company's undiscounted lease liabilities at 31 December 2021 was as follows:

	2021 £'000	2020 £'000
Within one year	<u>372</u>	<u>802</u>
In more than one year but not more than two years	-	559
In more than two years but not more than five years	-	1,677
In more than five years	-	-
Non-current	<u>-</u>	<u>2,236</u>

**18 Amounts owed by group undertakings**

	2021 £'000	2020 £'000
<b>Current</b>		
Term lending to Eversholt Rail Leasing Limited	<u>65,064</u>	<u>62,268</u>
<b>Non-current</b>		
Eversholt Finance Holdings Limited*	24	24
European Rail Finance (2) Limited*	19,453	19,674
Eversholt Funding plc	62,133	83,344
Eversholt Investment Limited	29,402	42,173
Eversholt Depot Finance Limited	535	3,317
Eversholt Rail Leasing Limited	723,881	956,281
Term lending to Eversholt Rail Leasing Limited	<u>1,195,029</u>	<u>1,260,093</u>
	<u>2,030,457</u>	<u>2,364,906</u>

\*No interest is charged on these loans.

The term lending to Eversholt Rail Leasing Limited is repayable on or before 1 April 2036 with capital and interest payable on a monthly basis. Interest is charged at a fixed rate plus margin.

The intercompany loans with other entities are classified as non-current as they are repayable on 4 November 2023. Borrowing entities may prepay and redraw loans until the repayment date. Interest on the loans is receivable monthly at a floating rate, which substantially matches the rate of the Group's senior debt, plus margin (2020: Group's senior debt, plus margin).

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

for the year ended 31 December 2021

**19 Cash and cash equivalents**

	2021 £'000	2020 £'000
Cash	214,806	61,965
<b>Cash and cash equivalents</b>	<b>214,806</b>	<b>61,965</b>

**20 Trade and other payables**

	2021 £'000	2020 £'000
Trade payables	3,411	1,120
Other payables	11,848	9,776
Maintenance and administrative accruals	12,716	14,255
	<b>27,975</b>	<b>25,151</b>

**21 Borrowings**

	2021 £'000	2020 £'000
<b>Current</b>		
Eversholt Funding Plc - accrued interest	20,315	20,693
Eversholt Funding Plc	54,212	39,927
	<b>74,527</b>	<b>60,620</b>
<b>Non-current</b>		
European Rail Finance Limited	69,765	69,631
Eversholt Funding plc	1,879,606	1,930,422
European Rail Finance Holdings Limited	91,042	188,554
Eversholt UK Rails (Holding) Limited	149	153
	<b>2,040,562</b>	<b>2,188,760</b>
<b>Total borrowings</b>	<b>2,115,089</b>	<b>2,249,380</b>

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

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

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

**21.1 Replacement of LIBOR as an interest rate benchmark**

During 2021, the Company replaced LIBOR as the reference interest rate in its borrowings described above. LIBOR has been replaced by SONIA plus an appropriate credit adjustment spread, determined at the date of change. Interest will be paid under the new rate for the first time in early 2022. The change in rate has had no material impact and the replacement rate does not introduce any significant change in risk - therefore the Company's current risk management strategy remains in place.

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

for the year ended 31 December 2021

**21 Borrowings (continued)****21.2 Maturity of borrowings**

The maturity profile of the carrying amount of the Company's non-current borrowings at 31 December 2021 was as follows:

	2021 £'000	2020 £'000
In more than one year but not more than two years	54,212	54,212
In more than two years but not more than five years	557,338	651,325
In more than five years	1,429,012	1,483,223
	<u>2,040,562</u>	<u>2,188,760</u>

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

	As at 31 December 2020 £'000	Non-cash finance (income)/ expense £'000	Cash Flows receipts/ (payments) £'000	As at 31 December 2021 £'000
<b>31 December 2021</b>				
<b>Investing/financing activities attributable to:</b>				
<b>Assets</b>				
Term lending to Eversholt Rail Leasing Limited	(1,322,361)	(56,491)	118,759	(1,260,093)
Other amounts owed by group undertakings	<u>(1,104,813)</u>	<u>(58,703)</u>	<u>328,088</u>	<u>(835,428)</u>
	<u>(2,427,174)</u>	<u>(115,194)</u>	<u>446,847</u>	<u>(2,095,521)</u>
<b>Liabilities</b>				
Loan from Eversholt Funding plc	1,970,349	3,396	(39,927)	1,933,818
Other amounts owed to group undertakings	<u>279,031</u>	<u>106,165</u>	<u>(203,925)</u>	<u>181,271</u>
	<u>2,249,380</u>	<u>109,561</u>	<u>(243,852)</u>	<u>2,115,089</u>

	As at 31 December 2019 £'000	Non-cash finance (income)/ expense £'000	Cash Flows receipts/ (payments) £'000	As at 31 December 2020 £'000
<b>31 December 2020</b>				
<b>Investing/financing activities attributable to:</b>				
<b>Assets</b>				
Amounts owed by Eversholt Rail Leasing Limited	(1,381,790)	(59,330)	118,759	(1,322,361)
Amounts owed by group undertakings	<u>(1,225,133)</u>	<u>(62,715)</u>	<u>183,035</u>	<u>(1,104,813)</u>
	<u>(2,606,923)</u>	<u>(122,045)</u>	<u>301,794</u>	<u>(2,427,174)</u>
<b>Liabilities</b>				
Intercompany loan accounts	375,173	117,046	(213,188)	279,031
Loan from Eversholt Funding plc	<u>2,025,000</u>	<u>1,654</u>	<u>(56,305)</u>	<u>1,970,349</u>
	<u>2,400,173</u>	<u>118,700</u>	<u>(269,493)</u>	<u>2,249,380</u>

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

for the year ended 31 December 2021

**23 Provisions**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Current	165	-
Non-current	-	165
	<u>165</u>	<u>165</u>
	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Balance at beginning of the year	165	201
Utilised	-	(36)
<b>Balance at the end of the year</b>	<u>165</u>	<u>165</u>

Provision relates to dilapidations on leased office buildings. Contractual amounts are due to be incurred within the term of lease which has been reassessed to end in June 2022.

**24 Deferred tax**

Deferred tax assets and liabilities are offset where the relevant criteria are met (see note 3.4). The following is the analysis of the deferred tax balances:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Deferred tax assets	<u>2,279</u>	<u>2,591</u>

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

	Capital Allowances £'000	Provisions £'000	IFRS 16 impact £'000	Retirement benefit obligations £'000	Total £'000
<b>At 1 January 2020</b>	137	423	186	1,107	1,853
Credit/(charge) to Income Statement	(2)	(1)	(39)	65	23
Credit to other comprehensive income	-	-	-	391	391
Effect of change in tax rate:					
- Income Statement	14	51	22	-	87
- Other comprehensive income	-	-	-	130	130
Prior year adjustments	(1)	108	-	-	107
<b>At 31 December 2020</b>	<u>148</u>	<u>581</u>	<u>169</u>	<u>1,693</u>	<u>2,591</u>
<b>Credit/(charge) to Income Statement</b>	<b>43</b>	<b>1</b>	<b>(39)</b>	<b>78</b>	<b>83</b>
Charge to other comprehensive income	-	-	-	(817)	(817)
Effect of change in tax rate:					
- Income Statement	56	147	26	25	254
- Other comprehensive income	-	-	-	277	277
Prior year adjustments	5	(113)	-	(1)	(109)
<b>At 31 December 2021</b>	<u>252</u>	<u>616</u>	<u>156</u>	<u>1,255</u>	<u>2,279</u>

In assessing the recoverability of deferred tax assets, the Company considers the extent to which it is probable that there will be sufficient taxable profits in the future to allow the benefit of part or all of the deferred tax asset to be utilised. In assessing this, the Company considers internal profit projections and budgets and related tax impacts.

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

for the year ended 31 December 2021

**24 Deferred tax (continued)**

Deferred tax is calculated by reference to the tax rates that apply when the corresponding deferred tax asset is realised or deferred tax liability settled. The applicable rates are those rates that have been enacted or substantively enacted by 31 December 2021 and are as follows:

<b>For periods:</b>	<b>%</b>
Prior to 1 April 2023	19
Post 31 March 2023	25

This has led to the tax charge attributable to “change in tax rate” shown in the above analysis.

**25 Share capital**

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

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

**26 Retirement benefit obligations****26.1 General description of scheme****Final salary pension**

The Company provides a defined benefit pension scheme to some employees. Eversholt Rail Limited Section (the “Section”) is part of the Railways Pension Scheme, but its assets and liabilities are identified separately from the remainder of the Scheme. The Section is governed by a trustee board, which is independent of the Company.

The Section is a shared cost arrangement whereby the Company is only responsible for a share of the cost. The figures reported below therefore represent only the Company’s share of the cost, except that the tables reconciling the Section liabilities and assets from the start to the end of the year are presented before the deduction of the members’ share of the defined benefit cost, or the surplus or deficit. This is for simplicity of presentation and for consistency with the liabilities and assets quoted in the table showing the pension scheme liability or asset at the end of the year.

Employer contributions averaged 19.65% of Section pay for the year ended 31 December 2021 (19.60% for the year ended 31 December 2020).

The Section is open to new members transferring in from other sections of the Railways Pension Scheme.

The Company is exposed to a number of risks relating to the Section including assumptions not being borne out in practice. The most significant risks are as follows:

- **Asset volatility:** There is the risk that a fall in asset values is not matched by a corresponding reduction in the value placed on the Section’s defined benefit obligation (“DBO”). The Section holds a proportion of growth assets, which are expected to outperform corporate and government bond yields in the long-term but gives exposure to volatility and risk in the short-term.
- **Change in bond yields:** A decrease in corporate bond yields will increase the value placed on the Section’s DBO, although this will be partially offset by an increase in the value of the Section’s corporate bond holdings.
- **Inflation risk:** The majority of the Section’s DBO is linked to inflation where higher inflation will lead to a higher value being placed on the DBO. Some of the Section’s assets are either unaffected by inflation or loosely correlated with inflation (e.g. growth assets), meaning that an increase in inflation will generally increase the deficit.

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

for the year ended 31 December 2021

**26 Retirement benefit obligations (continued)****26.1 General description of scheme (continued)**

- Life expectancy: An increase in life expectancy will lead to an increased value being placed on the Section DBO. Future mortality rates cannot be predicted with certainty.
- Contribution rate: The Scheme Rules give the Scheme Actuary the power to set the contribution rates for the Company if no agreement can be reached between the Trustee and the Company.

**26.2 Membership data**

	31 December 2021	31 December 2020
<b>Active members</b>		
Number	13	14
Number with PRP included	9	9
Annual payroll (£'000)	1,000	1,100
Average age	53.1	52.3
<b>Deferred members</b>		
Number	42	47
Total deferred pensions (£'000)	289	300
Average age	56.2	54.9
<b>Pensioner members (including dependants)</b>		
Number	57	53
Estimated annual pension payroll (£'000)	1,430	1,400
Average age	68.5	68.8

**26.3 Summary of assumptions**

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
<b>Section Assets</b>		
Growth assets	28,921	25,609
Government bonds	10,746	11,085
Non-government bonds	9,254	7,552
Other assets	163	307
	<u>49,084</u>	<u>44,553</u>
	31 December 2021 %pa	31 December 2020 %pa
Discount rate	1.85	1.30
Price inflation (RPI measure)	3.45	2.95
Increases to deferred pensions (CPI measure)	3.05	2.60
Pension increases (CPI measure)	3.45	3.00
Salary increases plus 0.4% pa promotional salary scale	3.05	2.55

The assumed average expectation of life in years at age 65 is as follows:

	31 December 2021	31 December 2020
Male currently age 65	22.6	22.6
Male currently age 45	24.2	24.2
Female currently age 65	23.7	23.6
Female currently age 45	25.6	25.5

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

for the year ended 31 December 2021

**26 Retirement benefit obligations (continued)****26.4 Defined benefit liability at end of year**

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Active members	13,310	12,941
Deferred members	12,479	12,977
Pensioner members (incl. dependants)	31,672	33,493
Total DBO	57,461	59,411
Value of assets at end of year	(49,084)	(44,553)
Funded status at end of year	8,377	14,858
Adjustment for the members' share of deficit	(3,351)	(5,943)
<b>Net defined benefit liability at end of the year</b>	<b>5,026</b>	<b>8,915</b>

**26.5 Reconciliation of net defined benefit liability**

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Opening net defined benefit liability	8,915	6,517
Employer's share of pension expense	616	547
Employer contributions	(203)	(206)
(Gain)/loss recognised in Statement of comprehensive income	(4,302)	2,057
<b>Closing net defined benefit liability</b>	<b>5,026</b>	<b>8,915</b>

**26.6 Pension expense**

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Employer's share of service cost	447	389
Employer's share of administration costs	54	34
Total employer's share of service cost	501	423
Employer's share of net interest on net defined benefit liability	115	124
<b>Employer's share of pension expense</b>	<b>616</b>	<b>547</b>

**26.7 Other comprehensive (income)/expense**

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Gain due to liability experience	(468)	(876)
(Gain)/loss due to liability assumption changes	(472)	4,343
Return on plan assets greater than discount rate	(3,362)	(1,410)
<b>Total (gain)/loss recognised in Statement of comprehensive income</b>	<b>(4,302)</b>	<b>2,057</b>



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

for the year ended 31 December 2021

**26 Retirement benefit obligations (continued)****26.8 Reconciliation of DBO**

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Opening DBO	59,411	53,519
Service Cost	741	645
Interest Cost on DBO	762	987
Gain on DBO experience	(998)	(1,497)
Gain on DBO – demographic assumptions	(114)	(1,123)
(Gain)/loss on DBO – financial assumptions	(673)	8,362
Actual benefit payments	<u>(1,668)</u>	<u>(1,482)</u>
<b>Closing DBO</b>	<b><u>57,461</u></b>	<b><u>59,411</u></b>

This obligation is projected to mature as follows:

Time period	Expected payments £'000
5 years to 31 December 2026	9,400
5 years to 31 December 2031	11,200
5 years to 31 December 2036	12,300
5 years to 31 December 2041	12,300
After 1 January 2042	38,600

**26.9 Reconciliation of value of assets**

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Opening value of Section assets	44,553	42,658
Interest income on assets	570	780
Return on plan assets greater than discount rate	5,415	2,350
Employer contributions	203	206
Employee contributions	101	102
Actual benefit payments	(1,668)	(1,482)
Administration costs	(90)	(61)
<b>Closing value of Section assets</b>	<b><u>49,084</u></b>	<b><u>44,553</u></b>

Tables 26.8 and 26.9 above show the movement in the assets and liabilities of the section as a whole. Some of the figures therefore differ from those in the remaining disclosures which reflect the Company's share of the assets and liabilities associated with the section.

**26.10 DBO sensitivity analysis to significant actuarial assumptions**

Year ended 31 December 2021	Sensitivity	Approximate increase in DBO £'000
Discount rate	-0.25% p.a.	2,500
Price inflation (CPI measure)*	+0.25% p.a.	2,300
Salary increases	+0.25% p.a.	200
Life expectancy	+1 year	2,400

\* Including consistent increases to RPI, salary growth and RPI/CPI related pension increase assumptions

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

for the year ended 31 December 2021

**26 Retirement benefit obligations (continued)****26.10 DBO sensitivity analysis to significant actuarial assumptions (continued)**

Year ended 31 December 2020	Sensitivity	Approximate increase in DBO £'000
Discount rate	-0.25% p.a.	2,800
Price inflation (CPI measure)*	+0.25% p.a.	2,700
Salary increases	+0.25% p.a.	200
Life expectancy	+1 year	2,400

\* Including consistent increases to RPI, salary growth and RPI/CPI related pension increase assumptions

The sensitivity figures above are as at 31 December 2021 and based on the DBO noted in table 26.4 and reflect a reasonable approximation of possible changes.

The Section is subject to a full funding actuarial valuation on a triennial basis. The funding valuation at 31 December 2019 indicated a funding surplus and so no deficit contributions are currently being paid. Employer contributions for the period to 30 June 2021 were 19.6% of Section Pay. Subsequent employer contributions, for the period to 30 June 2024, are 19.7% of Section pay.

The discounted mean term of the Section's liabilities is 18 years. Employer contributions for 2021 were £210,000 (2020: £212,000).

**27 Risk management**

The Company 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 pandemic, 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 3.13.

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.

**27.1 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 comprises principally of borrowings from other group undertakings and equity from its immediate parent.

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

**27.2 Credit risk management**

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its obligations under a contract. The Company's principal credit exposures arise from intercompany loans and trade and other receivables.

The Company manages credit risk by way of established risk management processes encompassing credit approvals and the monitoring and reporting of exposures. Regular reviews are undertaken to assess and evaluate the financial stability of counterparties.

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

## Notes to the annual financial statements (continued)

for the year ended 31 December 2021

### 27 Risk management (continued)

#### 27.2 Credit risk management (continued)

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

Credit assessments might lead to the counterparty being considered in default or amounts due being written off to the extent not recoverable, taking into account collateral/security/recourse arrangements.

Allowances for ECL are calculated on a lifetime basis, where required for trade receivables and contract assets. In relation to other financial assets, the Company has only limited instances of assets where 12 month ECL allowances might be required. Therefore the need to consider when there is a significant credit deterioration is only needed in rare situations (for example, debts overdue by more 30 days) and on a case by case basis. Counterparties will be regarded as having low credit risk where an investment grade rating is available.

#### *Credit Risk Exposure*

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The Company has established a credit procedure under which each new customer is analysed individually for creditworthiness, including for example, external ratings, if they are available, financial statements, credit agency information and industry information. The Company limits its exposure to credit risk through contractual documentation. In monitoring customer credit risk, customers are considered on an individual basis (or grouped according to their credit characteristics, including their geographic location, industry, trading history with the Company and existence of previous financial difficulties).

The Company's principal exposure to credit risk as at 31 December 2021 amounts to the balance of Trade and other receivables as disclosed in note 16, Amounts owed by group undertakings as disclosed in note 18 and cash and cash deposits as disclosed in note 19. The carrying amounts of these assets represent the maximum credit exposure.

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

In particular, substantially all of the trade receivables outstanding at 31 December 2021 have been received subsequent to year-end.

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

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

for the year ended 31 December 2021

**27 Risk management (continued)****27.3 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. The Company manages utilisation of the Security Group's senior debt to fund the activities of other group undertakings and is responsible for day to day cash management for the Group. The Company borrows funds from and lends funds to other group undertakings through intercompany loans. The Security Group's 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 financial assets and financial liabilities are analysed below by their contractual due date. Undiscounted cash flows in respect of the intercompany loans with other entities include the principal amount of intercompany loans only, due to the uncertainty of intercompany movements and of interest estimation. Interest on intercompany loans is settled as part of intercompany cash movements.

	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 2021</b>						
<b>Financial assets</b>						
Amortised cost						
Intercompany loans	835,428	835,428	-	-	835,428	-
Intercompany term lending	1,260,093	1,692,325	-	118,760	475,039	1,098,526
Trade and other receivables	9,717	9,717	-	9,717	-	-
Cash and cash equivalents	214,806	214,806	214,806	-	-	-
	<u>2,320,044</u>	<u>2,752,276</u>	<u>214,806</u>	<u>128,477</u>	<u>1,310,467</u>	<u>1,098,526</u>
<b>Financial liabilities</b>						
Amortised cost						
Trade and other payables	27,975	27,975	-	27,975	-	-
Intercompany loans	160,956	160,956	-	-	160,956	-
Intercompany term lending	1,954,133	2,747,127	-	138,634	816,932	1,791,561
	<u>2,143,064</u>	<u>2,936,058</u>	<u>-</u>	<u>166,609</u>	<u>977,888</u>	<u>1,791,561</u>
<b>Total financial instruments</b>	<u>176,980</u>	<u>(183,782)</u>	<u>214,806</u>	<u>(38,132)</u>	<u>332,579</u>	<u>(693,035)</u>

	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						
Intercompany loans	1,104,813	1,104,813	-	-	1,104,813	-
Intercompany term lending	1,322,361	1,811,085	-	118,760	475,039	1,217,286
Trade and other receivables	2,548	2,548	-	2,548	-	-
Cash and cash deposits	61,965	61,965	61,965	-	-	-
	<u>2,491,687</u>	<u>2,980,411</u>	<u>61,965</u>	<u>121,308</u>	<u>1,579,852</u>	<u>1,217,286</u>
<b>Financial liabilities</b>						
Amortised cost						
Trade and other payables	25,151	25,151	-	25,151	-	-
Intercompany loans	258,338	258,338	-	-	258,338	-
Intercompany term lending	1,991,042	2,861,937	-	125,446	807,160	1,929,331
	<u>2,274,531</u>	<u>3,145,426</u>	<u>-</u>	<u>150,597</u>	<u>1,065,498</u>	<u>1,929,331</u>
<b>Total financial instruments</b>	<u>217,156</u>	<u>(165,015)</u>	<u>61,965</u>	<u>(29,289)</u>	<u>514,354</u>	<u>(712,045)</u>

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

for the year ended 31 December 2021

**27 Risk management (continued)****27.4 Market risk management****Interest rate risk management**

The Company has exposure to fluctuations in interest rates. Cash flow exposure to fluctuations in interest rates 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 cost of intercompany loans.

A 50 basis points increase in LIBOR would have resulted in an increase of £500,000 (2020: £450,000) in interest expense on borrowings from Eversholt Funding plc for the financial year, and an increase in cash deposit interest received of £819,000 (2020: £1,114,000). A 5 basis points increase in GBP LIBOR would have resulted in an increase in intercompany interest income of £95,000 (2020: £37,000).

The sensitivity analysis is applied to the borrowing/deposit rate and performed on the monthly balance of the relevant financial instrument and represents a reasonable approximation of possible change.

**28 Financial Instruments**

The intercompany fixed rate term loan from Eversholt Funding Plc includes fixed rate term loans with a carrying value of £1,531,000,000 (2020: £1,530,000,000) and a fair value estimated to be £1,784,000,000 (2020: £1,893,000,000). The basis of this estimate is the market value of the external debt raised by Eversholt Funding plc and lent to the Company on mirror terms. Apart from intercompany term lending and fixed rate borrowings, there are no material differences between the carrying value and the fair value of financial assets and liabilities as at 31 December 2021 and 31 December 2020.

The fair values together with the carrying amounts of the financial assets and financial liabilities are as follows:

31 December 2021	Note	Carrying amount	Level 1	Fair value	Level 3
		£'000	£'000	Level 2 £'000	£'000
<b>Financial assets</b>					
Amortised cost					
Amounts owed by group undertakings	18	835,428			
Intercompany term lending Eversholt Rail Leasing Limited	18	1,260,093			
Trade and other receivables	16	9,717			
Cash and cash deposits	19	214,806			
<b>Total financial assets</b>		<u>2,320,044</u>			
<b>Financial liabilities</b>					
Amortised cost					
Trade and other payables	20	27,975			
Intercompany loans	21	160,956			
Intercompany fixed rate term loan from Eversholt Funding plc	21	1,833,818		2,168,260	
Intercompany loan from Eversholt Funding plc (other)	21	120,315			
<b>Total financial liabilities</b>		<u>2,143,064</u>			
<b>Total financial instruments</b>		<u>176,980</u>			

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

for the year ended 31 December 2021

**28 Financial Instruments (continued)**

31 December 2020	Note	Carrying amount	Level 1	Fair value Level 2	Level 3
		£'000	£'000	£'000	£'000
<b>Financial assets</b>					
Amortised cost					
Amounts owed by group undertakings	18	1,104,813			
Intercompany term lending Eversholt Rail Leasing Limited	18	1,322,361			
Trade and other receivables	16	2,548			
Cash and cash deposits	19	<u>61,965</u>			
<b>Total financial assets</b>		<u>2,491,687</u>			
<b>Financial liabilities</b>					
Amortised cost					
Trade and other payables	20	25,151			
Intercompany loans	21	258,338			
Intercompany fixed rate term loan from Eversholt Funding plc	21	1,870,349		2,299,672	
Intercompany loan from Eversholt Funding plc (other)	21	<u>120,693</u>			
<b>Total financial liabilities</b>		<u>2,274,531</u>			
<b>Total financial instruments</b>		<u>217,156</u>			

**29 Fair value of financial assets and liabilities**

There are no other material differences between the carrying value and the fair value of other financial assets and liabilities as at 31 December 2021 (2020: £nil).

**30 Related-party transactions****30.1 Identity of related parties**

The Company has a related party relationship with its directors (refer to page 6) and with other entities in the Eversholt UK Rails Group, namely:

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

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

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

for the year ended 31 December 2021

**30 Related-party transactions (continued)****30.1 Identity of related parties (continued)**

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

**30.2 Transactions with related parties**

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

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Eversholt Rail Leasing Limited	<b>22,639</b>	20,744
Eversholt Depot Finance Limited	<b>251</b>	219
Eversholt Investment Limited	<b>36</b>	-
European Rail Finance Limited	<b>32</b>	-
Eversholt UK Rails (Holding) Limited	<b>83</b>	-
Eversholt UK Rails Limited	<b>62</b>	-

The Company has received fees for the provision of maintenance procurement services for or from other Group companies as follows:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Eversholt Rail Leasing Limited	<b>16,505</b>	74,776

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

for the year ended 31 December 2021

**30 Related-party transactions (continued)****30.2 Transactions with related parties (continued)**

Loan accounts are more fully described in notes 18 and 21. Interest receivable/(payable) on these loan accounts is included in notes 6 and 7. Further breakdown is as follows:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Eversholt Funding plc	<b>3,362</b>	318
Eversholt Depot Finance Limited	<b>102</b>	245
Eversholt Rail Leasing Limited	<b>53,991</b>	60,255
European Rail Finance Limited	<b>(40)</b>	(117)
European Rail Finance Holdings Limited	<b>(79)</b>	(474)
Eversholt Investment Limited	<b>1,367</b>	2,488

The Company paid £nil to Eversholt Funding plc for funding services (2020: £15,000) and £58,000 to Eversholt UK Rails Limited for consultancy services (2020: £120,000). The Company also received £83,000 from Eversholt UK Rails (Holding) Limited for consultancy services (2020: paid £60,000).

The Company was recharged costs of £478,000 (2020: £373,000), by Eversholt Funding plc.

The Company charged a management fee of £115,000 (2020: £nil) to UK Rails S.A.R.L..

**30.3 Remuneration of key management personnel**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Short-term employment benefits	<b>2,297</b>	2,114
Other long-term employment benefits	<b>144</b>	373
	<b><u>2,441</u></b>	<b><u>2,487</u></b>

**31 Contingent liabilities**

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

**32 Subsequent events**

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