BRL S.à r.l.

Consolidated Financial Statements

with the report of the Réviseur d'entreprises Agréé thereon

As at and for the year ended 31 December 2019

Registered Address: 20, rue Eugène Ruppert
L-2453 Luxembourg
R.C.S. Luxembourg No. B203.747

BRL S.à r.l.

Consolidated Financial Statements

For the year ended 31 December 2019

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To the Board of Managers of
BRL S.à r.l.
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Opinion

We have audited the consolidated financial statements of BRL S.à r.l. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Managers for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Managers is responsible for assessing the Group'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 Board of Managers either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the Réviseur d'Entreprises agréé for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Managers.

— Conclude on the appropriateness of Board of Managers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Restriction on use

The consolidated financial statements do not qualify as statutory consolidated financial statements as required by article 1711-1 of the Luxembourg law dated 10 August 1915 on commercial companies, as subsequently amended. Accordingly, this report is intended solely for the use of the Board of Managers of BRL S.à r.l. regarding reporting requirements related to Loans and borrowings of Beacon Rail Group as at 31 December 2019 and for distribution towards other stakeholders but is not intended to be and should not be used for any other purpose.

Luxembourg, 31 March 2020

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Fabien Hedoun

BRL S.à r.l.

Consolidated statement of income and other comprehensive income

For the year ended 31 December 2019

in EUR thousands	Note	2019	2018
Revenue	3	155,933	141,386
Other income	9	2,035	906
Operating and administrative expenses	5	(91,706)	(77,198)
Operating profit		**66,262**	**65,094**
Finance income	7	6,535	3,267
Finance expenses	7	(63,361)	(46,438)
Net finance expense		**(56,826)**	**(43,171)**
Profit before tax		9,436	21,923
Income tax expense	8	(3,798)	(8,581)
Profit for the year attributable to equity holders		**5,638**	**13,342**
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences		2,153	(1,279)
Effective portion of changes in fair value of cash flow hedges, net of tax	8	(7,907)	2,124
Other comprehensive (loss)/ income for the year		**(5,754)**	**845**
Total comprehensive (loss) /income for the year attributable to equity holders		(116)	14,187

BRL S.à r.l.

Consolidated statement of financial position

At 31 December 2019

in EUR thousands	Note	31 Dec. 2019	31 Dec. 2018
Non-current assets			
Property, plant and equipment	9	1,226,066	1,122,443
Assets under construction	10	39,111	66,693
Goodwill	11	26,624	26,624
Finance lease receivables	12	17,886	19,534
Other financial assets	13	-	6,440
		1,309,687	1,241,734
Current assets			
Cash and cash equivalents		57,501	9,802
Restricted cash		-	22,634
Trade and other receivables	13	30,709	39,008
Other financial assets	13	686	8,175
Prepaid expenses		2,207	371
Current tax assets		-	225
Finance lease receivables	12	2,425	2,074
		93,528	82,289
Total assets		**1,403,215**	**1,324,023**
Non-current liabilities			
Loans and borrowings	13	1,111,829	946,088
Shareholder loan	13	169,529	236,733
Other financial liabilities	13	2,986	2,536
Deferred tax liabilities	8	11,403	11,552
		1,295,747	1,196,909
Current liabilities			
Loans and borrowings	13	16,480	57,441
Trade payables and other short-term liabilities	13	30,731	14,774
Current tax payable		1,929	1,165
Maintenance reserve		11,078	9,780
Other financial liabilities	13	1,900	898
Deferred revenue		14,137	11,879
		76,255	95,937
Total liabilities		**1,372,002**	**1,292,846**
Net assets		**31,213**	**31,177**
Equity			
Share capital	14	12	12
Share premium	14	20,789	20,637
Retained earnings		11,413	5,775
Reserves		(1,001)	4,753
Total equity		**31,213**	**31,177**

BRL S.à r.l.

Consolidated statement of cash flows

For the year ended 31 December 2019

in EUR thousands		31 Dec. 2019	31 Dec. 2018
Cash flows from operating activities			
Profit for the year		5,638	13,342
Depreciation and amortisation	5	51,914	44,594
Maintenance reserve cost		11,832	9,162
Impairment of property, plant, and equipment	5	150	792
Net financing expense	7	54,766	43,171
Gain on sale of assets	9	(2,035)	(906)
Taxation	8	3,798	8,581
Changes in operating assets and liabilities:			
Trade receivables and other assets		6,640	(22,527)
Cash collected under lease receivables		3,602	1,610
Trade payables and other liabilities		9,882	(3,161)
Maintenance reserve outflows		(10,880)	(5,402)
Deferred revenue		2,604	1,039
Interest paid		(36,880)	(24,785)
Income taxes paid		(1,047)	(633)
Cash received from foreign exchange derivatives in OCI		3,278	-
Net cash from operating activities		**103,262**	**64,877**
Cash flows from investing activities			
Lease equipment purchases including capitalised interest paid (net of capitalisation from assets under construction)	9	(89,174)	(168,618)
Finance lease equipment purchases		-	(19,522)
Purchase of office equipment		(311)	(406)
Proceeds from sale of lease equipment	9	3,610	5,701
Proceeds from insurance claims on disposed asset		582	-
Net cash used in investing activities		**(85,293)**	**(182,845)**
Cash flows from financing activities			
Proceeds from loans and borrowings	13	920,903	169,693
Repayments of loans and borrowings	13	(826,076)	(52,061)
Proceeds from shareholder loan	13	15,032	46,538
Repayments of shareholder loan	13	(90,399)	(62,766)
Cash paid for transaction costs on borrowings	13	(13,956)	(885)
Payment of lease liabilities		(358)	-
Proceeds from capital contributions		152	470
Decrease in restricted cash		22,634	(2,649)
Net cash from financing activities		**27,931**	**98,340**
Effect of exchange rate changes on cash		1,799	(4,424)
Net increase/(decrease) in cash		47,699	(24,052)
Cash at beginning of year		9,802	33,854
Cash at end of year		57,501	9,802

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Consolidated statement of changes in equity

For the year ended 31 December 2019

in EUR thousands	Note	Share capital	Share premium	Translation reserves	Hedging reserves	Retained earnings	Total
Balance at 1 January 2018		**12**	**20,166**	**(5,964)**	**9,872**	**(7,567)**	**16,519**
Comprehensive income for the year							
Profit for the year		-	-	-	-	13,342	13,342
Foreign exchange translation differences		-	-	(1,279)	-	-	(1,279)
Effective portion of changes in fair value of cash flow hedges		-	-	-	2,124	-	2,124
Total comprehensive income for the year		-	-	(1,279)	2,124	13,342	14,187
Contributions by and distributions to Company owners							
Capital contributions	14	-	471	-	-	-	471
Total contributions by and distributions to owners of the Company		-	471	-	-	-	471
Balance at 31 December 2018		**12**	**20,637**	**(7,243)**	**11,996**	**5,775**	**31,177**
Adjustment of initial application of IFRS 16, net of tax		-	-	-	-	-	-
Adjusted balance at 1 January 2019		**12**	**20,637**	**(7,243)**	**11,996**	**5,775**	**31,177**
Comprehensive income for the year							
Profit for the year		-				5,638	5,638
Foreign exchange translation differences		-	-	2,153	-	-	2,153
Effective portion of changes in fair value of cash flow hedges		-	-	-	(7,907)	-	(7,907)
Total comprehensive income for the year		-	-	2,153	(7,907)	5,638	(116)
Contributions by and distributions to Company owners							
Capital contributions	14	-	152	-	-	-	152
Total contributions by and distributions to owners of the Company		-	152	-	-	-	152
Balance at 31 December 2019		**12**	**20,789**	**(5,090)**	**4,089**	**11,413**	**31,213**

BRL S.à r.l.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. GENERAL INFORMATION

BRL S.à r.l., "the Company", is domiciled in Luxembourg and its registered office is at 20, rue Eugène Ruppert, L-2453, Luxembourg. The Group is comprised of BRL S.à r.l. and its subsidiaries as follows:

Subsidiary (all 100% owned)	Country of incorporation and principal place of business	Principal activity
Beacon Finco S.à r.l.	Luxembourg	Intercompany financing provider
Beacon Rail Leasing S.à r.l.	Luxembourg	Asset manager
Beacon Rail Leasing Inc.	United States	Intercompany service provider
Beacon Rail Leasing Ltd.	United Kingdom	Intercompany service provider
Beacon Rail Finance (Europe) Ltd.	United Kingdom	Asset owner
Beacon Rail Finance S.à r.l.	Luxembourg	Asset owner
Beacon Rail Leasing GmbH	Germany	Inactive
Ascendos Rail Services Ltd.	United Kingdom	Liquidated

The Group's principal activities during the period are the ownership and leasing of rolling stock comprised of freight locomotives, freight wagons and passenger train units to operators located in the United Kingdom, and Continental Europe.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs").

Basis of preparation

These consolidated financial statements are presented in Euro ("EUR", "€"), the Company's functional currency. All information is given to the nearest thousand, unless otherwise stated.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in these consolidated financial statements.

Judgments made by management, in the application of these accounting policies that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year, are discussed in the section "Accounting estimates and judgements".

Going concern

These consolidated financial statements have been prepared on a going concern basis. The managers are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

Principles of consolidation

The Company and all subsidiaries are included in the consolidated financial statements in full.

Subsidiaries are entities controlled by BRL S.à r.l.. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group balances and transactions are eliminated. Any unrealised and realized income and expenses arising from intra-group transactions are eliminated.

Measurement convention

The consolidated financial statements are prepared on the historical cost basis except for the derivative financial instruments which are stated at their fair value. In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of the entities at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the consolidated income statement except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated to functional currency using the exchange rate at the date of the transaction.

To translate assets, liabilities, income and expenses from the functional currency into the presentation currency assets and liabilities are translated using the closing rate at the reporting date; income and expenses for each statement presenting profit or loss and other comprehensive income are translated with the exchange rate of the day in which the transaction occurred. All resulting exchange differences are recognised in other comprehensive income.

Revenue recognition

Operating lease rentals are recognised as revenue on a straight-line basis over the period of the lease.
In addition, rental revenue on certain operating leases also includes contingent rentals based on projected usage (maintenance reserves). Contingent rentals are remitted monthly and are non-refundable. Some of the Group's leases provide for a lease-end adjustment payment to be made by the lessee at the end of the lease term based on usage and the condition of the asset upon return. Lease-end contingent rental payments are included in rental revenue when the amount receivable is known with certainty.

Fee income includes amounts received for servicing certain leases and are based on a fixed amount per lease, recognized when the related services are performed. Costs to acquire a customer and re-market an asset are expensed as incurred.

Finance income and expenses

Interest income and interest expense is recognised in the consolidated income statement as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a gross basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Financing income primarily comprises interest receivable on Group borrowings and foreign exchange gains.

Financing expenses comprise of interest payable, commitment fees to lenders, amortisation of deferred financing costs, and foreign exchange losses.

Income tax

Income tax on the profit or loss for the period comprises of current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect to previous years.

Deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, with the following exceptions: temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are assessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset only if certain criteria are met.

Operating lease equipment assets

Operating lease equipment held for leasing to customers is recorded in the consolidated statement of financial position as property, plant and equipment. The operating lease assets are stated at the lower of depreciated cost or recoverable amount. Depreciated cost includes discounts and applicable technical, legal, and other expenditures associated with the equipment, less accumulated depreciation.

The operating lease assets are depreciated on a straight-line basis down to the estimated residual value at the end of its estimated useful life. Depreciation of an asset begins when it is ready to be put into service. Locomotives are typically depreciated over a 35-year term from the date originally put in service to an estimation of residual value, and freight wagons and passenger units are typically depreciated over a 25 to 35 year useful life. Estimated residual value reflects management’s estimate of the future value of the asset at the end of its estimated useful life.

Prior to acquiring an asset intended for the operating lease portfolio, the Group may be required to make various deposits, such as construction payments to the manufacturer of the asset. During the preconstruction and construction periods borrowing costs related to those amounts that are directly related to the acquisition of the assets are capitalised into the asset cost. The capitalisation of borrowing costs continues until the asset is complete and ready for its intended use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Assets under construction

Assets under construction primarily consist of construction progress payments provided to manufacturers for equipment to be placed under operating leases. As the risks and rewards of these assets remain with the manufacturer until transfer of title, these assets are treated as a prepayment.

Assets under finance lease

Finance leases are those where substantially all the risks and rewards of ownership are transferred to the lessee. The outstanding lease payments are treated by the lessor as repayments of principal and finance income. The lease payments are used to reimburse the lessor for its financial investment and to compensate for services.

Assets from finance leases are initially recognised in the consolidated statement of financial position as finance lease receivables at an amount equal to lower of fair value and the net investment i.e., the present value of the minimum lease payments. Lease payments are divided into interest payments and repayments in such a manner that they reflect a constant periodic rate of return.

Operating lease receivables and other receivables

Operating lease receivables and other receivables are recognized initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. Operating leases relate to rolling stock owned by the Group and the related receivable at the balance sheet date represents the Group's contractual hold to collect receivables comprised solely of payments of principal and interest, where applicable.

Maintenance reserves

Maintenance reserves include amounts received as well as outstanding receivables from certain lessees to cover periodic maintenance costs which will be incurred in future periods. In certain maintenance or repair lease arrangements, the Group is liable to remit funds from the maintenance reserve to cover the costs of maintenance performed while the asset is on lease to the lessee. Maintenance revenue is recognised, as collected. Heavy-maintenance expenses are recorded based on the projected heavy maintenance events economically linked to the maintenance revenue collected.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents in the consolidated financial statements include cash in bank and interest-bearing deposits with maturities of less than three months at the date of acquisition. There are no externally imposed restrictions on cash and cash equivalents.

Loans and borrowings

Loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost using the effective interest method.

Deferred debt issuance costs represent the direct costs related to the issuance of the borrowings, such as bank fees, legal fees, auditor fees and third-party valuation firm fees. These costs are presented net of debt and amortised in accordance with the effective interest rate method over the finite life of the debt instrument as additional interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The shareholder loans are recognised initially at fair value measured as the present value of all future cash payments discounted using the prevailing market rate of interest for similar instruments with a similar credit rating. Any variance between the present value and the carrying value is recorded within retained earnings.

Lease liability

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset, a component of property, plant and equipment, is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any expected end-of -lease costs where applicable, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Subsequently the liability is unwound using the effective discount rate.

Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value; any directly attributable transaction costs are recognised in the consolidated income statement as incurred. The gain or loss on re-measurement to fair value is recognised immediately in the consolidated income statement. However, where derivatives qualify for hedge accounting, recognition of any resulting gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve.

Hedge ineffectiveness for foreign currency forwards may occur due to the credit value/debit value adjustment on the foreign exchange forwards which is not matched by the underlying fixed asset construction exposure, and differences in maturity dates between the foreign exchange forwards and the actual payment dates of the underlying exposure

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and differences in critical terms between the interest rate swaps and loans.

Hedge ineffectiveness on foreign currency forwards and interest rate swaps is shown within finance expenses.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are recycled into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when interest income or expense is recognised.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the consolidated income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Impairment

(a) Financial assets (including receivables)

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has had a negative effect on the estimated future cash flows of the asset that can be estimated reliably.

Evidence that a financial asset is impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties

Where required, allowance for lifetime expected credit losses ("ECL") is recognised for trade receivables which result from transactions within the scope of IFRS 15 and which do not contain a significant financing component; and lease receivables, which are outside the scope of IFRS 9 for classification and measurement purposes but in the scope for impairment.

Where required, 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.

(b) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to disposal. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

If the recoverable amount of the cash generating unit is less than its carrying amount, an impairment loss is recognised directly in the consolidated income statement.

A cash generating unit to which goodwill has been allocated is tested annually for impairment. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method when control is transferred to the group. When control is transferred to the Group, the consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their fair value, except that:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 share-based payment at the acquisition date and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make estimates, judgments and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income, and expenses are based on historical experience and other factors that are believed to be reasonable under the circumstances.

Remaining useful life and residual value

Management makes estimations regarding the remaining useful life and the residual value when determining its asset depreciation policy for each asset.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount, which in this case is designated as the value in use of the cash generating units to which the goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from cash generating units and a suitable discount rate in order to calculate present value. Where the actual value in use is less than the current carrying value, the goodwill should be written down to the value in use and an impairment loss would be recognised.

Hedge accounting

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. In the event of changes in timing of a highly probable forecast transaction, estimates are revised quarterly to reflect any changes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Adoption of new and revised standards

The Group initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

IFRS 16 Leases (European Union effective date 1 January 2019)
IFRS 16 replaces the existing lease guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Group adopted the new standard effective 1 January 2019.

IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Lessor accounting remains similar to the IAS 17 – i.e. lessors continue to classify leases as finance or operating leases and there were no quantitative changes for the Group, as a lessor, resulting from the new standard. The Group has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in its lease contract to each lease and non-lease component.

At transition, the Group elected to use the modified retrospective approach by valuing the lease liability at the present-value of the future cashflows at 1 January 2019 discounted at its incremental borrowing rate. Concurrently, the Group elected to measure the right-of-use asset at the same value as the lease liability at the date of transition.

The Group utilised other practical expedients such as excluding leases of low value assets (mainly low value office-equipment) and excluding leases for which the lease term ends within 12 months of transition.

Under the modified retrospective approach, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Impact on Transition
On transition to IFRS 16, the Group recognised a right-of-use asset for an office lease, and additional lease liability. The impact on transition is summarised below.

in EUR thousands	**1 January 2019**
Right-of-use assets – property, plant and equipment	1,136
Lease liabilities	(1,136)
Retained earnings	-

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 2.35%.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

in EUR thousands **Reconciliation between IAS 17 and IFRS 16 at transition**	**1 January 2019**
Operating lease commitments at 31 December 2018 under IAS 17	1,415
Discounted operating lease commitments at transition	1,356
– Recognition exemption for leases with less than 12 months of lease term at transition	(220)
Discounted lease liability at 1 January 2019	1,136

Standards, amendments and interpretations to existing standards issued but not yet effective:

A number of new standards, endorsed by the EU, are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

These standards impact the definition of material, amend the references to the Conceptual Framework and related to the upcoming Interest Rate Benchmark reform.

The Group intends to adopt these standards, if applicable, when they become effective.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

The revenue of the Group is attributable to the continuing business of leasing equipment subject to operating lease contracts and comprises rental payments receivable, fee income from asset management services and miscellaneous fee income.

The Group's revenue primarily arises within the United Kingdom and Continental Europe.

in EUR thousands	**31 Dec. 2019**	**31 Dec. 2018**
Rental revenue	143,881	131,985
Maintenance revenue	11,800	9,171
Other fee income	252	230
Total revenue with contracts with customers	**155,933**	**141,386**

Geographical breakdown	**31 Dec. 2019**	**31 Dec. 2018**
Continental Europe	69,032	61,600
United Kingdom	86,901	79,786
Total revenue from contracts with customers	**155,933**	**141,386**

4. OPERATING LEASE CUSTOMER COMMITMENTS

Operating leases receivable from customers consist of non-cancellable contracts. If all of the contractual lease payments were made, the future undiscounted operating lease receivables are as follows:

in EUR thousands	31 Dec. 2019	31 Dec. 2018
Less than one year	169,552	136,014
One to two years	125,108	90,294
Two to three years	100,810	80,605
Three to four years	60,000	65,034
Four to five years	48,991	41,022
More than five years	253,810	183,543
Total contractual operating lease payments	**758,271**	**596,512**

5. OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses are as follows:

in EUR thousands	2019	2018
Depreciation, amortisation and impairment		
Depreciation of rolling stock	51,043	44,334
Impairment or write-off of property, plant and equipment	150	792
Depreciation of leasehold and other	312	259
Depreciation of right-of-use asset	559	-
Maintenance reserve cost	11,832	9,162
	63,896	54,549
Other operating and administrative expenses		
Occupancy costs	559	821
Staff costs	12,696	7,934
Administrative and other expenses (including auditor remuneration)	14,555	13,894
	27,810	22,649
Total operating and administrative expenses	**91,706**	**77,198**

in EUR thousands	2019	2018
Auditors' remuneration		
Audit fees of the Company	23	27
Audit fees of subsidiaries	204	565
Fees for tax services	186	469
Other non-audit services	-	-
Total auditor remuneration	**413**	**1,061**

6. STAFF COSTS

in EUR thousands	2019	2018
Wages and benefits	10,622	5,747
Insurance and social security costs	1,003	818
Defined contribution pension costs	278	245
Other staff costs	793	1,124
Total staff costs	**12,696**	**7,934**

The number of persons employed by the Group (including Managers) at year end, analysed by category, was the following:

	31 Dec. 2019	31 Dec. 2018
Executive management	5	5
Corporate	2	6
Finance and legal	18	17
Commercial	5	3
Technical	10	7
Total headcount	**40**	**38**

The average number of employees of the Group during the full year was 37 (2018: 33).

7. FINANCIAL INCOME AND EXPENSE

in EUR thousands	2019	2018
Financial income		
Foreign exchange income	4,967	760
Interest from finance leases	1,440	734
Hedge ineffectiveness – derivatives	-	310
Other	128	1,463
Total financial income	*6,535*	*3,267*
Financial expenses		
Interest expense – external financing	27,885	22,813
Interest expense – shareholder loan	13,784	15,285
Interest expense – derivatives (includes terminated derivatives)	5,420	-
Hedge ineffectiveness – derivatives	1,640	-
Foreign exchange expense	713	2,656
Amortisation of deferred financing costs	4,674	4,157
Write-off of deferred financing costs	7,584	6
Commitment fees - undrawn external financing	1,555	1,521
Other financial expenses	106	-
Total financial expenses	*(63,361)*	*(46,438)*
Net finance expense	**(56,826)**	**(43,171)**

8. TAXATION

Amounts recognised in income statement:

in EUR thousands	2019	2018
Current tax:		
Luxembourg income tax expense for the year	793	315
Foreign income tax expense for the year	1,341	2,584
Total current tax expense	*2,134*	*2,899*
Deferred tax:		
Originating and reversing timing differences	1,664	5,682
Total deferred tax expense	*1,664*	*5,682*
Tax expense in consolidated income statement	**3,798**	**8,581**

Factors affecting tax charge for the period

The tax expense for the period differs from the standard rate of corporation tax in Luxembourg of 24.94% in 2019 (2018: 26.01%) as follows:

in EUR thousands	31 Dec. 2019	31 Dec. 2018
Profit before tax	9,436	21,923
Profit before tax multiplied by standard rate	2,353	5,702
Effects of:		
Non-deductible expenses	2,846	4,750
Non-taxable income	-	(173)
Foreign tax rate differential	(1,401)	(1,698)
Total tax charge for the year	**3,798**	**8,581**

Effect of taxation on amounts recognised in other comprehensive income:

in EUR thousands	31 Dec. 2019	31 Dec. 2018
Effective portion of changes in fair value of cash flow hedges	(10,141)	2,896
Deferred taxation on change in fair value	2,234	(772)
Total other comprehensive (loss)/ income	**(7,907)**	**2,124**

8. TAXATION (CONT.)

in EUR thousands	Net balance 31 Dec. 18	Recognised in income statement	Recognised in OCI	Other adjustments	Net balance 31 Dec. 19	Deferred tax assets 31 Dec. 19	Deferred tax liabilities 31 Dec. 19
Property, plant and equipment	(14,486)	(671)	-	(519)	(15,676)	-	(15,676)
Derivatives	(3,428)	694	2,234	(84)	(584)	-	(584)
Carry forward - tax loss	3,846	(3,813)	-	152	185	185	-
Carry forward - restricted interest	3,245	2,336	-	69	5,650	5,650	-
Capitalised interest	(724)	(215)	-	(39)	(978)	-	(978)
Other timing differences	(5)	5	-	-	-	-	-
Tax (liabilities) / assets before set-off	**(11,552)**	**(1,664)**	**2,234**	**(421)**	**(11,403)**	**5,835**	**(17,238)**
Set-off of tax	-	-	-	-	-	(5,835)	5,835
Net tax (liabilities) / assets	**(11,552)**	**(1,664)**	**2,234**	**(421)**	**(11,403)**	**-**	**(11,403)**

	Net balance 31 Dec. 17	Recognised in income statement	Recognised in OCI	Other adjustments	Net balance 31 Dec. 18	Deferred tax assets 31 Dec. 18	Deferred tax liabilities 31 Dec. 18
Property, plant and equipment	(6,365)	(8,121)	-	-	(14,486)	-	(14,486)
Derivatives	(2,398)	(258)	(772)	-	(3,428)	-	(3,428)
Carry forward - tax loss	1,670	2,264	-	(88)	3,846	3,846	-
Carry forward - restricted interest	2,998	247	-	-	3,245	3,245	-
Capitalised interest	-	(724)	-	-	(724)	-	(724)
Other timing differences	(1,085)	910	-	170	(5)	-	(5)
Tax (liabilities) / assets before set-off	**(5,180)**	**(5,682)**	**(772)**	**82**	**(11,552)**	**7,091**	**(18,643)**
Set-off of tax	-	-	-	-	-	(7,091)	7,091
Net tax (liabilities) / assets	**(5,180)**	**(5,682)**	**(772)**	**82**	**(11,552)**	**-**	**(11,552)**

Carry forward - restricted interest

The Company's UK subsidiaries are subject to an annual limitation on the deduction of interest payments which exceed 30% of EBITDA in the UK. The amount of the restricted interest is a temporary difference that is available as a deductible expense in future years in the UK.

9. PROPERTY, PLANT AND EQUIPMENT

in EUR thousands	Rolling stock	Leasehold and other	Right-of-use asset	Total
Cost				
Balance at 1 January 2018	1,073,347	1,275	-	1,074,622
Additions	164,256	406	-	164,662
Transfers	473	-	-	473
Disposals	(7,029)	-	-	(7,029)
Effect of movements in foreign exchange	(7,254)	42	-	(7,212)
Balance at 31 December 2018	**1,223,793**	**1,723**	**-**	**1,225,516**
Balance at 1 January 2019	1,223,793	1,723	-	1,225,516
Recognition of right of use asset on initial application of IFRS 16	-	-	1,136	1,136
Adjusted balance at 1 January 2019	**1,223,793**	**1,723**	**1,136**	**1,226,652**
Additions	121,040	311	1,138	122,489
Transfers	-	-	-	-
Disposals	(5,130)	(367)	-	(5,497)
Effect of movements in foreign exchange	38,739	(260)	49	38,528
Balance at 31 December 2019	**1,378,442**	**1,407**	**2,323**	**1,382,172**
Accumulated depreciation				
Balance at 1 January 2018	(59,587)	(627)	-	(60,214)
Depreciation expense	(44,334)	(260)	-	(44,594)
Transfers	(474)	-	-	(474)
Disposals	2,234	-	-	2,234
Impairment	(792)	-	-	(792)
Effect of movements in foreign exchange	785	(18)	-	767
Balance at 31 December 2018	**(102,168)**	**(905)**	**-**	**(103,073)**
Balance at 1 January 2019	(102,168)	(905)	-	(103,073)
Depreciation expense	(51,043)	(312)	(559)	(51,914)
Transfers	-	-	-	-
Disposals	2,722	217	-	2,939
Impairment	-		-	-
Effects of movements in foreign exchange	(4,336)	283	(5)	(4,058)
Balance at 31 December 2019	**(154,825)**	**(717)**	(564)	**(156,106)**
Net book value				
Balance at 31 December 2018	1,121,625	818	-	1,122,443
Balance at 1 January 2019	1,121,625	818	1,136	1,123,579
Balance at 31 December 2019	**1,223,617**	**690**	**1,759**	**1,226,066**

9. PROPERTY, PLANT AND EQUIPMENT (CONT.)

For the year ended 31 December 2019, the Group's main acquisitions were as follows:

On 18 April 2019, the Group entered into a sale and purchase agreement for 4 locomotives for total consideration of EUR 11.60 million. All 4 locomotives were delivered between June 2019 and September 2019

On 4 September 2019, the Group acquired 7 locomotives for total consideration of EUR 16.24 million.

On 19 December 2019, the Group acquired 10 locomotives for total consideration of EUR 17.45 million.

On 17 December 2018, the Group entered into a sale and purchase agreement for 9 locomotives subject to a 15-year lease. As of 31 December 2018, 8 of the purchased locomotives were delivered the Group. The remaining locomotive was delivered on 23 December 2019. The total consideration for the final delivered locomotive was EUR 2.33 million.

During the year ended 31 December 2019, the Group accepted deliveries of 40 vehicles from a new build rolling stock contract with aggregate capitalised value of EUR 67.68 million. As of 31 December 2019, a total of 51 vehicles were still expected to be delivered from two manufacturers.

For the year ended 31 December 2019, the Group's main disposals were as follows:

On 20 December 2018, the Group (as seller) entered into a sale and purchase agreement with a third party (as buyer) for the sale of 100 freight wagons for total consideration of EUR 4.20 million. As of 31 December 2018, 90 wagons were delivered to the buyer, resulting in a gain on sale of EUR 0.86 million. The remaining 10 wagons were delivered to the buyer on 30 January 2019.

On 18 November 2019, the Group (as seller) entered into a sale and purchase agreement with a third party (as buyer) for the sale of 7 locomotives for total consideration of EUR 2.30 million.

On 18 November 2019, the Group (as seller) entered into a sale and purchase agreement with a third party (as buyer) for the sale of 5 locomotives for total consideration of EUR 1.31 million.

10. ASSETS UNDER CONSTRUCTION

Assets under construction are comprised of the following:

in EUR thousands	31 Dec. 2019	31 Dec. 2018
Deposits on new build rolling stock	39,764	64,778
New build rolling stock contract adjustments	(5,844)	(2,970)
Capitalised interest	2,084	3,887
Capitalisable transaction costs	1,281	998
Other assets under construction	1,826	-
Total assets under construction	**39,111**	**66,693**

New build rolling stock contract adjustments pertain to liquidated damages.

During 2019, the Group capitalised EUR 1,776 thousand of interest incurred during the construction period (2018: EUR 3,887 thousand) at rates between 3.06% and 3.88%.

11. GOODWILL

in EUR thousands	Goodwill
Cost	
Balance at 31 December 2018 and 31 December 2019	26,624
Carrying amount	
Balance at 31 December 2018 and 31 December 2019	26,624

Goodwill acquired on the acquisition of Ascendos Rail and was allocated to the Group's continental European CGU. For the purposes of impairment testing, goodwill acquired through the business combination was allocated to one CGU. The recoverable amount of the CGU was based on value in use, determined by discounting the future cash flows to be generated from the continuing use of the equipment owned by the CGU, net of all liabilities of the CGU, including the associated debt, payables, and deferred tax liabilities. The recoverable amount was higher than the carrying amount of the CGU and no impairment was recognized.

The value-in-use of the equipment owned by the CGU was determined using a discounted cash flow approach. The future cash flows generated through the leasing of the equipment over the remaining useful lives of the assets have been projected taking into consideration estimated future off-lease periods, estimated future lease rates, and the impact that the age of the equipment has on these factors over the course of the remaining useful life of the equipment.

The key assumptions used in the cash flow projections are: estimated remaining useful life, market lease rental rates, utilisation rates, and discount rate. Management determines the value assigned to each key assumption based on a combination of past and market expertise while in certain cases inputs from external sources of information are used. The period over which cash flows are projected match the expected useful life of the rolling stock and is typically between 25 and 35 years. These cash flows were discounted at a pre-tax discount rate of 4.50%.

Management has performed a sensitivity analysis on the impact of reasonably possible changes to each key assumption used in the cash flow projections and in all sensitivities performed, such as increasing the discount rate by 1.5%, the recoverable amount of the CGU exceeds the carrying amount.

12. FINANCE LEASE RECEIVABLES

in EUR thousands	31 Dec. 2019	31 Dec. 2018
Less than one year	3,712	3,483
One to two years	3,657	3,566
Two to three years	2,751	3,513
Three to four years	2,641	2,654
Four to five years	2,032	2,548
More than five years	13,378	14,728
Total contractual finance lease payments	**28,171**	**30,493**
Unearned finance lease income	**(7,860)**	**(8,885)**
Net investment in finance leases	**20,311**	**21,608**

13. FINANCIAL ASSETS AND LIABILITIES

in EUR thousands	31 Dec. 2019	31 Dec. 2018
Non-current assets		
Other financial assets		
Interest rate swaps at fair value	-	6,440
	-	6,440
Current assets		
Trade and other receivables		
Trade receivables	18,408	17,841
Related party receivables	1,273	1,315
VAT receivable	11,028	19,852
	30,709	39,008
Other financial assets		
Forward currency contracts at fair value	365	7,598
Interest rate swaps at fair value	321	577
	686	8,175
Non-current liabilities		
Loans and borrowings		
Loans and borrowings – external financing	1,120,742	953,204
Deferred financing and origination fees	(8,913)	(7,116)
	1,111,829	946,088
Shareholder loan		
Shareholder loan	169,529	236,733
	169,529	236,733
Other financial liabilities		
Lease liabilities	1,367	-
Lessee security deposits	1,602	1,638
Interest rate swaps at fair value	17	898
	2,986	2,536
Current liabilities		
Trade payables and other short term liabilities		
Accounts payable and accrued liabilities	7,802	6,410
Related party payables	3,014	-
VAT payable	5,825	-
Interest payable – shareholder loan	14,030	8,164
Interest payable – external financing	60	200
	30,731	14,774
Loans and borrowings		
Loans and borrowings – external financing	20,207	60,784
Deferred financing and origination fees	(3,727)	(3,343)
	16,480	57,441
Other financial liabilities		
Lease liabilities	598	-
Interest rate swaps at fair value	1,302	898
	1,900	898

13. FINANCIAL ASSETS AND LIABILITIES (CONT.)

A summary of the loans and borrowings, including their interest rate profile, is as follows:

Facility in EUR thousands	Currency	Interest rate	Year of maturity	31 Dec. 2019	31 Dec. 2018
Private placement debt	EUR	3.00%	2029	147,600	152,800
Private placement debt	EUR	3.29%	2032	36,900	38,200
Private placement debt	EUR	6M EURIBOR+ 1.40%	2029	30,000	-
Private placement debt	EUR	1.95%	2029	10,000	-
Private placement debt	EUR	2.19%	2031	54,000	-
Private placement debt	EUR	2.61%	2032	24,567	-
Private placement debt	EUR	6M EURIBOR+ 1.75%	2033	36,220	-
Bank debt	EUR	6M EURIBOR+ 1.30%	2026	138,908	-
Bank debt	EUR	6M EURIBOR+ 1.30%	2026	31,248	-
Legacy financing	EUR	2.35%	terminated	-	274,665
Private placement debt	GBP	3.42%	2031	23,470	-
Private placement debt	GBP	6M LIBOR+ 2.20%	2031	76,277	-
Private placement debt	GBP	3.29%	2034	22,883	-
Private placement debt	GBP	6M LIBOR+ 1.70%	2029	59,028	-
Private placement debt	GBP	3.32%	2029	61,022	-
Private placement debt	GBP	3.42%	2029	29,337	-
Private placement debt	GBP	3.29%	2034	34,325	-
Private placement debt	GBP	3.82%	2032	32,477	31,909
Private placement debt	GBP	3.52%	2039	77,231	-
Private placement debt	GBP	3.47%	2034	28,927	-
Bank debt	GBP	6M LIBOR+ 1.50%	2026	178,356	-
Bank debt	GBP	6M LIBOR+ 1.50%	2026	8,173	-
Legacy financing	GBP	2.94-3.82%	terminated	-	516,414
Total external financing				1,140,949	1,013,988
Less: deferred financing costs				(12,640)	(10,459)
Total loans and borrowings, net of deferred financing costs				**1,128,309**	**1,003,529**

Mandatory repayments – external financing in EUR thousands	31 Dec. 2019	31 Dec. 2018
Less than one year	20,207	60,784
Between one and five years	100,845	185,586
More than five years	1,019,897	767,618
Total external financing	**1,140,949**	**1,013,988**

Lease in EUR thousands	Currency	Interest rate	Year of maturity	31 Dec. 2019	31 Dec. 2018
Lease liability	GBP	2.35%	2024	1,111	-
Lease liability	USD	2.35%	2022	854	-
Total lease liabilities				**1,965**	**-**

13. FINANCIAL ASSETS AND LIABILITIES (CONT.)

Covenants: loans and borrowings – external financing

On 15 June 2019, the subsidiary, Beacon Finco S.à r.l., entered into a Common Terms Agreement with certain banks and financial institutions as lenders and institutional investors establishing a common terms debt platform (the "CTA Debt Platform"). Under the CTA Debt Platform, Beacon Finco S.à r.l., entered into certain facilities agreements whereby the lenders and note purchasers thereunder agreed to make available certain funding to Beacon Finco S.à r.l. which would then be on-lent to certain other members of the Group and applied, inter alia, for the purpose of refinancing the external financing of the group.

The Common Terms Agreement provides a framework for covenants applicable to the obligors with respect to the credit agreements with each of the various debt capital providers. The Common Terms Agreement provides, inter alia, for financial covenants for the obligors regarding loan to value and debt service coverage, and portfolio covenants regarding minimum weighted average lease term, permitted business, permitted acquisitions and disposals, and asset type diversification.

Under the terms of these facility agreements, at no time shall the outstanding amount of the loans and borrowings exceed 80% of the cashflows net present value of the Group's rolling-stock. The facility agreements contain typical representations and covenants for loans and borrowings of this nature. The loans are secured by a charge over or a pledge of assets of the Group.

The facilities agreements are secured on a pari passu and cross-collateralized basis by (i) guarantees and share pledges, (ii) assignment of all intercompany loans, (iii) account pledges over all bank accounts, (iv) security over the majority of equipment, and (v) assignment of leases, insurances and hedging agreements.

Concurrently, the Group terminated the related debt tranches under its legacy financing.

As of 31 December 2019, the Group complies with the covenants of the CTA.

Other financial commitments

At 31 December 2019, the Group had purchase commitments of EUR 93,021 thousand (2018: EUR 138,893 thousand) which will be funded though available debt facilities and shareholder funding.

13. FINANCIAL ASSETS AND LIABILITIES (CONT.)

A summary of the shareholder loan at 31 December 2019 is as follows:

Facility in EUR thousands	Currency	Interest rate	Year of maturity	31 Dec. 2019	31 Dec. 2018
Profit Participating Loan	EUR	0.10%+Variable*	2046	169,529	236,733

(*) Variable interest on the shareholder loan is accrued and payable to the shareholder based on certain eligible income generated by the Company

The reconciliation of movements of financial assets and liabilities to cash flows arising from financing activities is as follows:

in EUR thousands	Restricted cash	Shareholder loan	Loans and borrowings	Share premium	Total
31 December 2017	**(20,075)**	**239,773**	**888,530**	**20,166**	**1,128,394**
Net financing expense	-	-	4,157	-	4,157
Proceeds from loans and borrowings	-	-	169,693	-	169,693
Repayments of loans and borrowings	-	-	(52,061)	-	(52,061)
Proceeds from shareholder loan	-	46,538	-	-	46,538
Repayments of shareholder loan	-	(62,766)	-	-	(62,766)
Cash paid on transaction cost	-	-	(885)	-	(885)
Increase in restricted cash	(2,649)	-	-	-	(2,649)
Proceeds from capital contribution	-	-	-	471	471
Total changes from financing cash flow	(2,649)	(16,228)	120,904	471	102,498
Non-cash changes	90	13,188	(5,905)	-	7,373
31 December 2018	**(22,634)**	**236,733**	**1,003,529**	**20,637**	**1,238,265**
Proceeds from loans and borrowings	-	-	920,903	-	920,903
Repayments of loans and borrowings	-	-	(826,076)	-	(826,076)
Proceeds from shareholder loan	-	15,032	-	-	15,032
Repayments of shareholder loan	-	(90,399)	-	-	(90,399)
Cash paid on transaction cost	-	-	(13,956)	-	(13,956)
Decrease in restricted cash	22,634	-	-	-	22,634
Proceeds from capital contribution	-	-	-	152	152
Total changes from financing cash flow	22,634	(75,367)	80,871	152	28,290
Non-cash changes	-	8,164	43,909	-	52,073
31 December 2019	**-**	**169,529**	**1,128,309**	**20,789**	**1,318,627**

14. ISSUED SHARE CAPITAL

As of 31 December 2019, and 31 December 2018, the share capital of the Company amounted to EUR 12,501 divided into 1,250,100 ordinary shares with a par value of EUR 0.01 per share and each fully paid-up.
The ordinary shareholders shall be entitled to receive notice of, attend and speak at and vote at general meetings of the Company. Ordinary shareholders shall have one vote for each ordinary share held by them.

Shareholder share premium and similar premiums

During the year 2019, the sole partner of the Company decided to contribute EUR 151,923 (2018: EUR 470,086) to the capital contribution account without issuance of new shares.

As of 31 December 2019, the share premium account amounted to EUR 20,789,047 (31 December 2018: EUR 20,637,124).

Translation reserves

The translation reserves include foreign exchange differences due to the translation from the functional currency to the reporting currency of foreign operations.

Hedging reserves

The cash flow hedge reserve comprises the cumulative effective portion of the fair value of the interest rate swaps and foreign currency forwards designated in cash flow hedge relationships, net of tax.

in EUR thousands	Currency forwards	Interest rate swaps	Total hedging reserves
1 January 2018	**8,286**	**1,585**	**9,871**
Change in fair value of instrument recognised in OCI	(52)	2,797	2,745
Less: amounts reclassified from OCI			
- basis adjustment to fixed assets	-	-	-
- Financial expense	10	108	118
Less: deferred tax	114	(852)	(738)
31 December 2018	**8,358**	**3,638**	**11,996**
Change in fair value of instrument recognised in OCI	(1,391)	(11,181)	(12,572)
Less: amounts reclassified from OCI			
- basis adjustment to fixed assets	(2,724)	-	(2,724)
- Financial expense	(112)	5,268	5,156
Less: deferred tax	705	1,529	2,234
31 December 2019	**4,836**	**(746)**	**4,090**

14. ISSUED SHARE CAPITAL (CONT.)

Capital Management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital to ensure that all entities in the Group will be able to continue as a going concern while maximizing the return to the shareholders through the optimization of the debt and equity balance. Management monitors the return on capital as well as the level of dividends to its shareholders.

The capital structure of the Group consists of liabilities (all liabilities of the consolidated statement of financial position) and equity (all equity accounts of the consolidated statement of financial position detailed in the consolidated statement of changes of equity). The Group is not subject to any externally imposed capital requirements other than those indirectly imposed from tax and transfer pricing rules.

15. FINANCIAL INSTRUMENTS

Financial instruments by category **in EUR thousands**	**Measurement category**	**31 Dec. 2019**	**31 Dec. 2018**
Financial assets			
Cash and cash equivalents	Cash and cash equivalents	57,501	9,802
Restricted cash	Cash and cash equivalents	-	22,634
Trade and other receivables	Loans and receivables	30,709	39,008
Derivative financial instruments	Cash flow hedge	686	14,615
Total financial assets		**88,896**	**86,059**
Financial liabilities			
Trade payables, interest payable and other short-term payables	Other financial liabilities	30,731	14,774
Loans and borrowings	Other financial liabilities	1,128,309	1,003,529
Shareholder loan	Other financial liabilities	169,529	244,897
Lease liabilities	Other financial liabilities	1,965	-
Derivative financial instruments	Cash flow hedge	1,319	1,796
Total financial liabilities		**1,331,853**	**1,264,996**

The fair values of all financial assets and financial liabilities by class together with their carrying amounts shown in the consolidated statement of financial position are as follows:

Fair values of financial instruments **in EUR thousands**	**2019** **Carrying amount**	**2019** **Fair value**	**2018** **Carrying amount**	**2018** **Fair value**
Assets measured at fair value				
Forward currency contracts	365	365	7,598	7,598
Interest rate swaps	321	321	7,017	7,017
Assets measured at amortised cost				
Cash and cash equivalents	57,501	(*)	9,802	(*)
Restricted cash	-	(*)	22,634	(*)
Trade and other receivables	30,709	(*)	39,008	(*)
Total financial assets	**88,896**		**86,059**	

15. FINANCIAL INSTRUMENTS (CONT.)

Fair values of financial instruments (cont.) in EUR thousands	2019 Carrying amount	2019 Fair value	2018 Carrying amount	2018 Fair value
Liabilities measured at amortised cost				
Trade payables, interest payable and other payables	30,731	(*)	14,774	(*)
Loans and borrowings	1,128,309	(*)	1,003,529	(*)
Shareholder loan	169,529	(**)	244,897	(**)
Lease liabilities	1,965	(*)	-	(*)
Liabilities measured at fair value				
Interest rate swaps	1,319	1,319	1,796	1,796
Total financial liabilities	**1,331,853**		**1,264,996**	

(*) Fair value approximates carrying value. For the majority of the borrowings, the fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

(**) Variable interest on the shareholder loan is accrued and payable to the shareholder based on certain eligible income generated by the Company and its operations in accordance with the arms-length principle.

Fair value hierarchy
All financial assets and liabilities are categorized as Level 2 under which the fair value is measured using the inputs other than quoted prices observable for the asset or liability, either directly or indirectly.

Derivative financial instruments
Derivative financial instruments relate to interest rate-hedging transactions and foreign currency forwards. The fair value of these financial instruments is determined on the basis of discounted future expected cash flows, using market interest rates and currency exchange rates corresponding to the terms to maturity.

The following tables show the valuation techniques used in measuring Level 2 fair values for financial instruments measured at fair value in the statement of financial position that are carried at FVOCI, as well as the significant unobservable inputs used.

Level 2 financial instrument and valuation technique		Significant unobservable inputs
Forward exchange contracts	FX forwards are valued by comparing the contracted forward exchange rate to the current market exchange rate, discounted back to the present using appropriate discount factors in the currency pairs. An FX forward curve is built to determine which forward rate pertains to that specific maturity.	Not applicable.
Interest rate swaps	Swap models: The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on the forward rates derived from raw yield curve data in a dual-curve bootstrapping process to determine the market's expectation of the future cash flows on the floating leg of the swap. Both the fixed and floating legs' cash flows are discounted using the calculated discount factors. The fixed and floating leg valuations are then netted to arrive at a single valuation for the period.	Not applicable.

15. FINANCIAL INSTRUMENTS (CONT.)

To comply with the provisions of IFRS 13, the Group incorporates credit valuation adjustments to appropriately reflect both its own non-performance risk and the respective counterparty's non-performance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of non-performance risk, the Group has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Credit risk and financial risk management

The Group categorizes credit risk of receivables based on an internal credit rating applied to each customer to assess the risk of credit loss. The credit rating is monitored on a regular basis and formally reviewed at least annually. Management considers ratings to be current as of 31 December 2019. The internal credit rating process involves a review of all quantitative and qualitative factors impacting a company's credit profile, with a particular emphasis on financial performance, financial condition, the current market environment and management judgment. All receivables at 31 December 2019 and 31 December 2018 were categorized as normal, which represents those that are not deemed to have any collectability issues. There was no allowance for ECLs recorded in the periods ended 31 December 2019 and 31 December 2018.

The Group's concentration of credit risk in relation to trade receivables is not considered material and is the only type of assets that are subject to the expected credit loss model. The balances relate to a number of customers for whom there is no history of default. An increase of credit risk since initial recognition would be a customer's difficulty to pay or the lessee's loss of revenue inflow related to the use of the leased rollingstock. The Group assesses default as 90 days late and no specified payment plan in place to settle the receivable.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Other classes of assets in finance and other receivables do not include impaired assets.

The financial risks of the Group relate to the availability of funds necessary to meet the operational needs of the Group, the risk of default by counterparties to Group's lease contracts and financial transactions and fluctuations in interest and foreign currency exchange rates. In this regard, the treasury function and hedging activities of the Group is guided by clear written policies, procedures and operating parameters, and its activities are regularly reviewed by the Managers to ensure compliance. The function does not operate as a profit centre and speculative transactions are not permitted.

Financial instruments, including derivatives, are used to manage the financial risks arising during the course of operations. These risks are liquidity risk and market risk and are discussed further below.

Liquidity risk

The Group's objective in managing liquidity risk is to ensure that it has a sufficient amount of funds available to meet its financial obligations as and when they become due. In order to achieve this, the Group's management closely monitors and manages its cash position as well as its availability to both debt (facility agreements) and equity capital (parent undertakings).

15. FINANCIAL INSTRUMENTS (CONT.)

The following are the contractual maturities of financial liabilities on an undiscounted basis including minimum contractual interest payments:

31 December 2019 in EUR thousands	Carrying amount	Contractual cash flow	Less than 1 year	Between 1 and 5 years	Greater than 5 years
Non-derivative financial liabilities					
Loans and borrowings incl. interest payable	1,128,369	1,401,674	49,398	236,798	1,115,478
Shareholder loan incl. interest payable	183,559	183,559	14,030	-	169,529
Trade payables, lease liabilities and other payables	18,606	18,688	17,279	1,409	-
Derivative financial liabilities					
Interest rate swaps	1,319	1,089	998	1,679	(1,588)
Total financial liabilities	**1,331,853**	**1,605,010**	**81,705**	**239,886**	**1,283,419**
31 December 2018					
Non-derivative financial liabilities					
Loans and borrowings incl interest payable	1,003,729	1,024,536	71,332	185,586	767,618
Shareholder loan incl. interest payable	244,897	244,897	8,164	-	236,733
Trade payables and other payables	6,410	6,410	6,410	-	-
Derivative financial liabilities					
Interest rate swaps	1,796	2,375	935	1,569	(129)
Total financial liabilities	**1,256,832**	**1,278,218**	**86,841**	**187,155**	**1,004,222**

Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates will affect the Group's income, the value of its holdings of financial instruments and/or its liquidity position. These are discussed further below.

Foreign currency risk

The Group's policy for managing its foreign currency risk is to borrow funds against the value of assets in the same currency that it collects contractual rental payments from those assets to ensure that its debt service payment obligations match the contractual rental payment obligations of its lessees and thus matches the operating cash flow of the Group.

The Group uses a combination of foreign currency forwards to hedge its exposure to foreign currency risk on one foreign denominated asset acquisition. Under the Group's policy the critical terms of the forwards must align with the hedged items. The Group designates the spot component of foreign currency forwards in hedge relationships. The spot component is determined with reference to relevant spot market exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points. It is discounted, where material.

15. FINANCIAL INSTRUMENTS (CONT.)

Details regarding the Group's foreign exchange derivative is as follows:

EUR foreign currency forwards **in EUR thousands**	**31 Dec. 2019**
Carrying amount, clean; of which:	365
Derivative asset	365
Derivative liability	-
Notional amount	6,426
Maturity date:	August 2021
Hedge ratio	1:1
Change in fair value of outstanding hedging instruments in period	365
Change in value of hedged item used to determine hedge effectiveness	481
Hedge ineffectiveness recognised in profit or (loss)	-
Strike rate	0.0849 GBP / 1 EUR
Sensitivity analysis on changes in GBP/EUR rates:	
Hedging reserve – increase of rates by 100bps	636
Hedging reserve – decrease of rates by 100bps	(635)
Income – increase of rates by 100bps	-
Income – decrease of rates by 100bps	-

Sensitivity analysis on market risks

The details below summarize the sensitivities of the Group's risk management positions to fluctuations in the underlying benchmark prices, with all other variables held constant.

A reasonably possible strengthening and weakening of EUR/GBP rates at 31 December 2019 would have affected equity and profit or loss by the amounts shown below:

GBP 10% movement	**Profit or loss**		**Equity**	
In EUR thousands	**Strengthening**	**Weakening**	**Strengthening**	**Weakening**
31 December 2019	919	(919)	1,171	(1,171)
31 December 2018	1,994	(1,994)	2,791	(2,791)

Interest rate risk and sensitivity analysis

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. Under the terms of the CTA, the Group is required to maintain at least 70% of its external debt borrowings at fixed rate using floating-to-fixed interest rate swaps to achieve this when necessary. Generally, the Group enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly.

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under these agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other.

15. FINANCIAL INSTRUMENTS (CONT.)

Details regarding the Group's interest rate derivatives are as follows:

Interest rate swaps – 6 month EURIBOR **in EUR thousands**	**31 Dec. 2019**
Carrying amount, clean; of which:	(297)
Derivative asset	321
Derivative liability	(618)
Notional amount in EUR	168,908
Notional profile:	
as at 31 December 2020	168,908
as at 31 December 2025	168,908
as at 31 December 2028	30,000
Hedge ratio	1:1
Change in fair value of outstanding hedging instruments in period	(297)
Change in value of hedged item used to determine hedge effectiveness	(257)
Hedge ineffectiveness recognised in profit or (loss)	39
Weighted average fixed rate for the year	0.02%
Sensitivity analysis on changes in interest rates:	
Hedging reserve – increase of rates by 100bps	10,655
Hedging reserve – decrease of rates by 100bps	(11,652)
Income – increase of rates by 100bps	-
Income – decrease of rates by 100bps	-

Interest rate swaps – 6 month LIBOR **in EUR thousands unless otherwise stated**	**31 Dec. 2019**
Carrying amount, clean; of which:	(702)
Derivative asset	-
Derivative liability	(702)
Notional amount in GBP thousands	203,986
Notional profile in GBP thousands:	
as at 31 December 2020	203,986
as at 31 December 2025	203,986
as at 31 December 2028	52,000
Hedge ratio	1:1
Change in fair value of outstanding hedging instruments in period	(707)
Change in value of hedged item used to determine hedge effectiveness	(832)
Hedge ineffectiveness recognised in profit or (loss)	-
Weighted average fixed rate for the year	0.98%
Sensitivity analysis on changes in interest rates:	
Hedging reserve – increase of rates by 100bps	15,093
Hedging reserve – decrease of rates by 100bps	(16,431)
Income – increase of rates by 100bps	-
Income – decrease of rates by 100bps	-

16. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties to the Company have been eliminated on consolidation and are not disclosed in this note.

Details of transactions between the Group and other related parties are as follows:

Transactions with related parties **in EUR thousands**	**31 Dec. 2019**	**31 Dec. 2018**
Shareholder loan – principal	169,529	236,733
Shareholder loan – interest payable	14,030	8,164
Shareholder loan – interest expense	13,784	15,285
Related party (payables) / receivables, net	(1,741)	1,315
Related party expenses capitalised or in profit and loss	5,487	59

Transactions with key management personnel **in EUR thousands**	**31 Dec. 2019**	**31 Dec. 2018**
Short-term benefits	2,616	2,312
Post-employment benefits	93	55
Total transactions with executive management	**2,709**	**2,367**

The Group has not granted advances and loans to the members of the administrative, managerial and supervisory bodies of the parent company and has not entered into commitments on their behalf by way of guarantees of any kind.

The Group does not also have any commitments arising or entered into in respect of retirement pensions to former members of the administrative, managerial and supervisory bodies.

17. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

At 31 December 2019, IIF Int'l Holding GP Ltd is the ultimate parent and controlling party of the Company. The ultimate parent is advised by J.P. Morgan Investment Management Inc.

The Company's immediate parent is Beacon Rail Lux Holdings S.à r.l. a company incorporated and domiciled in Luxembourg. The immediate parent's consolidated financial statements are filed in accordance with the provisions of the law.

18. SUBSEQUENT EVENTS

In January 2020, the Group entered into additional derivative contracts totalling a nominal of EUR 36.2 million and GBP 50.3 million swapping the 6-month EURIBOR and 6-month LIBOR respectively for fixed rates until 2029.

On 6 March 2020, the Group signed a manufacture and supply agreement ("MSA") for locomotives totalling EUR 16.3 million to be delivered from 2021. The MSA has not yet come into effect and remains subject to satisfaction by the manufacturer of certain conditions precedent.

18. SUBSEQUENT EVENTS (CONT.)

COVID-19

On 11 March 2020, the World Health Organisation characterised COVID-19, an infectious disease, as a pandemic. Actions taken as a result of the aforementioned have led to an increase in global economic uncertainty, volatile exchange rates and a marked decline in long-term interest rates in developed economies.

Beacon implemented its Business Continuity Plan ("BCP") to facilitate remote working from Friday 13 March 2020. The Group remains fully functional with no sickness reported and all employees remote working. Beacon has ceased all travel related business activities but is supported by its established pan-European geographical presence.

The Group leases a diverse fleet of rolling-stock within the United Kingdom and Continental Europe primarily under long-term leases. The majority of the Group's customers are investment-grade rated or state-owned, nonetheless counterparty risk can never be fully eliminated. Several European governments where the Group's clients are domiciled have announced financial measures to actively support businesses, including rail operators, during this period of economic uncertainty. Foregoing the previous, the Group's contracted revenue backlog was EUR 758 million as at 31 December 2019.

The Group refinanced its external loans and borrowings in June 2019, extending its weighted-average life to 9.2 years. As at 31 December 2019, the Group has significant headroom on its financial covenant ratios and appropriate liquidity to fund its operations. Management has run a variety of scenarios that has considered appropriate with the information available as of today, including, but not limited to, risks surrounding its backlog. Under such scenarios Management considers that the Group is well positioned to manage risk during this period of economic uncertainty.