

**Eversholt UK Rails (Holding) Limited  
(Security Group)**

**Unaudited, condensed, consolidated  
interim financial statements  
for the 6 months ended 30 June 2017**

**Registered No: 10783654**

**Condensed, consolidated interim financial statements**  
for the 6 months ended 30 June 2017

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**Condensed, consolidated income statement**  
for the 6 months ended 30 June 2017

		6 months ended	
	Notes	30 June 2017 £'000	30 June 2016 £'000
<b>Revenue</b>			
Finance lease income		329	381
Operating lease income		152,462	145,200
Maintenance income		26,660	36,205
Other income		1,033	1,086
<b>Total income</b>		<u>180,484</u>	<u>182,872</u>
Cost of sales	4	<u>(75,552)</u>	<u>(82,927)</u>
<b>Gross profit</b>		104,932	99,945
Finance income	5	113	122
Finance expense	6	(70,914)	(65,852)
Net fair value gain/(loss) on derivatives		16,911	(77,347)
Administrative expense	7	<u>(9,426)</u>	<u>(9,986)</u>
<b>Profit/(loss) before tax</b>		41,616	(53,118)
Income tax (charge)/credit		(10,050)	5,853
<b>Profit/(loss) for the period</b>		<u>31,566</u>	<u>(47,265)</u>

There were no discontinued or discontinuing operations during the period.

**Condensed, consolidated statement of comprehensive income**  
for the 6 months ended 30 June 2017

		6 months ended	
	Notes	30 June 2017 £'000	30 June 2016 £'000
Profit/(loss) for the period		31,566	(47,265)
<b>Other comprehensive income/(loss)</b>			
Effective portion of changes in fair value of cash flow hedges		20,339	(28,463)
Realised loss/(gain) on cash flow hedges		87	(1,319)
Tax (charge)/credit on changes in effective portion of changes in fair value of cash flow hedges		<u>(3,472)</u>	<u>5,361</u>
<b>Total comprehensive income/(loss) for the period</b>		<u>48,520</u>	<u>(71,686)</u>

The notes on pages 6 to 14 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 14 September 2017. They were signed on its behalf by:



**A J Wesson**  
Director

Company registration number: 10783654

**Condensed, consolidated statement of financial position**  
as at 30 June 2017

		30 June 2017 £'000	31 December 2016 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	1,921,140	1,872,396
Finance lease receivables	9	6,754	7,198
Derivative financial instruments	12	38,220	29,558
Deferred tax	11	27,945	32,951
Investment in subsidiary		2,835	2,835
		<u>1,996,894</u>	<u>1,944,938</u>
<b>Current assets</b>			
Inventory		1,045	1,149
Finance lease receivables	9	957	1,001
Trade and other receivables	10	35,827	29,678
Derivative financial instruments	12	61	-
Cash and cash equivalents	13	113,678	50,566
		<u>151,568</u>	<u>82,394</u>
<b>Total assets</b>		<u>2,148,462</u>	<u>2,027,332</u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	15	102,105	53,626
Current tax		11,703	16,249
Borrowings	16	15,094	63,235
Derivative financial instruments	12	7	153
Deferred revenue	14	3,149	3,290
Provisions		35	35
		<u>132,093</u>	<u>136,588</u>
<b>Non-current liabilities</b>			
Retirement benefit obligation	18	5,968	5,968
Borrowings	16	1,562,301	1,802,152
Amounts owed to Eversholt Rail (365) Limited		28,655	22,848
Amounts owed to Eversholt UK Rails Limited		340,562	-
Deferred tax	11	73,663	66,424
Deferred revenue	14	138,180	123,756
Derivative financial instruments	12	140,298	168,333
		<u>2,289,627</u>	<u>2,189,481</u>
<b>Total liabilities</b>		<u>2,421,720</u>	<u>2,326,069</u>
<b>Equity</b>			
Share capital		-	12
Share premium account		20	13,660
Accumulated deficit		(283,928)	(306,105)
Hedge reserve		13,010	(3,944)
Pension reserve		(2,360)	(2,360)
<b>Total equity</b>		<u>(273,258)</u>	<u>(298,737)</u>
<b>Total equity and liabilities</b>		<u>2,148,462</u>	<u>2,027,332</u>

The notes on pages 6 to 14 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 14 September 2017. They were signed on its behalf by:

**A J Wesson**

Director

Company registration number: 10783654

**Condensed, consolidated statement of cash flows**  
for the 6 months ended 30 June 2017

	Note	6 months ended	
		30 June 2017 £'000	30 June 2016 £'000
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		41,616	(53,118)
Adjustments for:			
- Depreciation		54,633	54,352
- Write down in the value of inventory		103	103
- Fair value adjustment on derivative financial instruments		(16,911)	77,347
- Unwinding of capitalised finance charges		1,900	1,872
- Interest income		(113)	(122)
- Interest on borrowings		69,014	63,980
<b>Operating cash flow before changes in working capital</b>		<b>150,242</b>	<b>144,414</b>
Decrease in finance lease receivables		488	437
(Increase)/decrease in trade and other receivables		(6,149)	9,519
Increase in deferred revenue		13,301	3,699
Decrease in provisions		-	(1,040)
Increase/(decrease) in trade and other payables		49,031	(3,025)
<b>Cash generated by operating activities</b>		<b>206,913</b>	<b>154,004</b>
Tax paid		(5,799)	-
Interest received		113	122
Realised loss on derivative financial instruments		-	5,689
<b>Net cash generated by operating activities</b>		<b>201,227</b>	<b>159,815</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment		(103,293)	(192,858)
<b>Net cash utilised in investing activities</b>		<b>(103,293)</b>	<b>(192,858)</b>
<b>Financing activities</b>			
Loans raised		50,000	80,000
Interest on bank loans		(551)	(189)
Interest on bonds		(33,779)	(35,186)
Interest on Eversholt Investment Group (Luxembourg) Sarl loan		(23,880)	(25,573)
Profit participating preference dividends		(467)	(545)
Interest on derivative financial instruments		(8,179)	(2,439)
Finance expenses		(1,057)	(1,059)
Other interest		1	484
Realised gain on derivative instruments		324	-
Increase in loan from Eversholt Rail (365) Limited		5,807	2,443
Shareholder loan repaid to Eversholt investment Group (Luxembourg) Sarl		(340,562)	(18,927)
Shareholder loan raised from Eversholt UK Rails Limited		340,562	-
Dividend paid		(23,041)	-
<b>Net cash utilised in financing activities</b>		<b>(34,822)</b>	<b>(991)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>63,112</b>	<b>(34,034)</b>
Cash and cash equivalents at beginning of the period		50,566	72,655
<b>Cash and cash equivalents at end of the period</b>	<b>13</b>	<b>113,678</b>	<b>38,621</b>

**Condensed, consolidated statement of changes in equity**  
for the 6 months ended 30 June 2017

	Called up share capital £'000	Share premium £'000	Hedge reserve £'000	Accumulated deficit £'000	Total shareholders' equity £'000
<b>Balance at 1 January 2016 as previously reported</b>	12	13,660	-	(289,163)	(275,491)
Loss for the year	-	-	-	(2,052)	(2,052)
Dividend paid	-	-	-	(14,772)	(14,772)
Effective portion of changes in fair value of cash flow hedges	-	-	(4,723)	-	(4,723)
Realised gain on cash flow hedges to Property, plant and equipment	-	-	(1,272)	-	(1,272)
Realised gain on cash flow hedges to Income statement	-	-	1,235	-	1,235
Tax credit on changes in effective portion of changes in fair value cash flow hedges	-	-	816	-	816
Actuarial gains on defined benefit scheme after tax	-	-	-	(2,478)	(2,478)
<b>Balance at 31 December 2016</b>	<b>12</b>	<b>13,660</b>	<b>(3,944)</b>	<b>(308,465)</b>	<b>(298,737)</b>
	Called up share capital £'000	Share premium £'000	Hedge reserve £'000	Accumulated deficit £'000	Total shareholders' equity £'000
<b>Balance at 1 January 2017</b>	12	13,660	(3,944)	(308,465)	(298,737)
Profit for the period	-	-	-	31,566	31,566
Change in ownership	(12)	(13,640)	-	13,652	-
Dividend paid	-	-	-	(23,041)	(23,041)
Effective portion of changes in fair value of cash flow hedges	-	-	20,339	-	20,339
Realised gain on cash flow hedges to Property, plant and equipment	-	-	87	-	87
Tax credit on changes in effective portion of changes in fair value of cash flow hedges	-	-	(3,472)	-	(3,472)
<b>Balance at 30 June 2017</b>	<b>-</b>	<b>20</b>	<b>13,010</b>	<b>(286,288)</b>	<b>(273,258)</b>

**Notes to the condensed, consolidated interim financial statements**  
for the 6 months ended 30 June 2017

**1 General information**

As part of an on-going restructuring process in order to simplify and consolidate the Eversholt UK Rails Group, on 22 May 2017 a newly incorporated UK company, Eversholt UK Rails (Holding) Limited ("the Company"), was incorporated and is the direct owner of Eversholt Investment Limited. Eversholt UK Rails (Holding) Limited is now top entity of the Security Group.

The Company is a wholly owned subsidiary of a newly incorporated UK company, Eversholt UK Rails Limited, which is in turn ultimately owned by CK Hutchison Holdings Limited.

Eversholt UK Rails (Holding) Limited – Security Group includes all companies in the Eversholt UK Rails Holding Group, except Eversholt Rail (365) Limited. The registered office of the Company is 210 Pentonville Road, N1 9JY, London.

**2 Basis of preparation**

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

Current period results and balances represent the group under current ownership of Eversholt UK Rails (Holding) Limited. Comparative periods ended 30 June 2016 and balances as at 31 December 2016 represent results and balances of the Group under previous ownership of Eversholt Investment Limited.

**2.1 Basis of consolidation**

The consolidated financial statements of Eversholt UK Rails (Holding) Limited and its subsidiaries (the Group), except for Eversholt Rail (365) Limited have been prepared solely for the purpose of meeting the reporting requirements of the Financing Documents dated 4 November 2010 entered into by the Company and certain of its subsidiaries, and subsequently amended.

The Group's interest in Eversholt Rail (365) Limited is not consolidated but stated at cost. All other subsidiaries are consolidated from the date that the Company gains control. The acquisition method of accounting is used when subsidiaries are acquired by the Group. The cost of acquisition is measured as the fair value of the consideration, including contingent consideration, given at the date of completion. Acquisition-related costs are recognised as an expense in the Income Statement in the period in which they are incurred. The acquired assets, liabilities and contingent liabilities are measured at their fair value at the date of acquisition.

Other than Eversholt Rail (365) Limited, entities that are controlled by Eversholt UK Rails (Holding) Limited are consolidated until the date that control ceases.

All inter-company transactions are eliminated on consolidation, other than transactions with Eversholt Rail (365) Limited.

**2.2 Compliance with International Financial Reporting Standards**

The consolidated financial statements of Eversholt UK Rails Holding Limited have been prepared on the historical cost basis except for the revaluation of derivative financial instruments.

The condensed interim financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union. Selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in financial position and performance of the Security Group since the last annual financial statements as at and for year ended 31 December 2016. This condensed interim financial report does not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

**Notes to the condensed, consolidated interim financial statements (continued)**  
for the 6 months ended 30 June 2017

**2 Basis of preparation (continued)**

**2.3 Going concern**

The accumulated losses being greater than the called up share capital gives rise to there being an excess of liabilities over assets. The financial position has been assessed in conjunction with its immediate parent, Eversholt UK Rails Limited, as its viability is dependent upon the ability of the immediate parent to provide funds for the Group when required. As a result and having made appropriate enquiries, reviewed forecasts and having the commitment of support from the parent, the Directors consider it reasonable to assume that the company has adequate resources to continue for the foreseeable future and on this basis the accounts have been prepared on a going concern basis.

**3 Summary of significant accounting policies**

The accounting policies applied by the Group in this condensed, consolidated interim financial report are the same as those applied by the Group in its financial statements for the year ended 31 December 2016.

**4 Cost of sales**

	6 months ended	
	30 June 2017	30 June 2016
	£'000	£'000
Depreciation	54,477	54,205
Maintenance cost	20,972	28,619
Write down in the value of inventory	103	103
	<u>75,552</u>	<u>82,927</u>

**5 Finance income**

	6 months ended	
	30 June 2017	30 June 2016
	£'000	£'000
Bank interest	113	122

**6 Finance expense**

	6 months ended	
	30 June 2017	30 June 2016
	£'000	£'000
<b>Interest and other expenses</b>		
Interest payable to Eversholt Investment Group (Luxembourg) Sarl	23,880	25,573
Profit participating preference share dividend	284	315
Interest payable on derivatives	8,023	2,579
Interest payable on bank loans	200	120
Interest payable on bonds	35,645	34,941
Other finance costs	982	452
Unwinding of capitalised borrowing costs	1,900	1,872
	<u>70,914</u>	<u>65,852</u>

**7 Administrative expense**

Administrative expense include the following:

	6 months ended	
	30 June 2017	30 June 2016
	£'000	£'000
Depreciation	156	147
Defined contribution pension costs	354	364
Audit fees	120	84



**Notes to the condensed, consolidated interim financial statements (continued)**  
for the 6 months ended 30 June 2017

**8 Property, plant and equipment**

	Other assets £'000	Rolling stock and other railway assets £'000	Total £'000
<b>Cost</b>			
<b>Balance at 1 January 2016</b>	3,342	2,346,702	2,350,044
Additions	228	272,149	272,377
Disposals	-	-	-
<b>Balance at 31 December 2016</b>	3,570	2,618,851	2,622,421
Additions	42	103,335	103,377
Disposals	-	-	-
<b>Balance at 30 June 2017</b>	<b>3,612</b>	<b>2,722,186</b>	<b>2,725,798</b>
<b>Depreciation</b>			
<b>Balance at 1 January 2016</b>	2,350	639,287	641,637
Charge for the year	294	108,094	108,388
Disposals	-	-	-
<b>Balance at 31 December 2016</b>	2,644	747,381	750,025
Charge for the period	156	54,477	54,633
Disposals	-	-	-
<b>Balance at 30 June 2017</b>	<b>2,800</b>	<b>801,858</b>	<b>804,658</b>
<b>Carrying value at 30 June 2017</b>	<b>812</b>	<b>1,920,328</b>	<b>1,921,140</b>
Carrying value at 31 December 2016	926	1,871,470	1,872,396

Rolling stock has been pledged to secure borrowings of the Group. The Group is not permitted to pledge these assets as security for other obligations. Realised loss on derivatives of £763,151 forms part of the rolling stock additions (31 December 2016: gain of £1,319,405). Refer to note 12 for further details.

**9 Finance lease receivables**

	30 June 2017 £'000	31 December 2016 £'000
Amortisation of finance lease receivables:		
<b>Amounts falling due:</b>		
No later than one year	957	1,001
Later than one year and no later than five years	4,027	3,863
Later than five years	2,727	3,335
Present value of minimum lease receivables	<u>7,711</u>	<u>8,199</u>
Fair value of amounts receivable under finance leases	<u>7,711</u>	<u>8,199</u>
Aggregate finance lease rentals receivable in the period/year	<u>329</u>	<u>699</u>

The fair value of fixed rate finance lease receivables is calculated by discounting future minimum lease receivables, using equivalent current interest rates.

The Group has entered into finance leasing arrangements for the depots and certain equipment. The terms of the finance leases vary between 10 and 20 years.

Finance lease receivable balances are secured over the depots and equipment leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee.

**Notes to the condensed, consolidated interim financial statements (continued)**  
for the 6 months ended 30 June 2017

**9 Finance lease receivables (continued)**

The interest rates inherent in the leases are fixed at the contract date for all of the lease terms. The average effective interest rates contracted are between 6% and 10% (31 December 2016: 6% and 10%) per annum.

The maximum exposure to credit risk of finance lease receivables for the current and prior periods is the carrying amount. The finance lease receivables are not past due and not impaired in the current and prior period.

**10 Trade and other receivables**

	<b>30 June 2017 £'000</b>	<b>31 December 2016 £'000</b>
<b>Receivable no later than one year:</b>		
Trade receivables	8,538	2,584
Maintenance prepayment	27,289	27,094
	<u>35,827</u>	<u>29,678</u>

**11 Deferred tax**

	<b>30 June 2017 £'000</b>	<b>31 December 2016 £'000</b>
Balance at beginning of the period/year	33,473	25,677
Amount arising from temporary differences	9,762	1,119
Change in tax rates	(989)	(1,829)
Other comprehensive expense: actuarial movement on retirement benefit obligations	-	(510)
Other comprehensive expense: movement on hedge reserve	3,472	(816)
Prior year adjustment	-	9,832
Balance at end of the period/year	<u>45,718</u>	<u>33,473</u>

Temporary differences relate principally to accelerated capital allowances and depreciation.

Deferred tax assets and liabilities are offset where the Group or Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	<b>30 June 2017 £'000</b>	<b>31 December 2016 £'000</b>
Deferred tax asset	(27,945)	(32,951)
Deferred tax liability	73,663	66,424
	<u>45,718</u>	<u>33,473</u>

The corporation tax rate reduction to 19% from 1 April 2017 was substantively enacted on 18 November 2015. A further reduction to 17% from 1 April 2020 was substantively enacted on 15 September 2016. As a result of these reductions the Group's future current tax charge will reduce accordingly.

The deferred tax asset at 30 June 2017 has been calculated based on rates of 17% (31 December 2016: 17%) substantively enacted at the reporting date.

**Notes to the condensed, consolidated interim financial statements (continued)**  
for the 6 months ended 30 June 2017

**12 Derivative financial instruments**

	Carrying amount 30 June 2017 £'000	Fair value 30 June 2017 £'000	Carrying amount 31 December 2016 £'000	Fair value 31 December 2016 £'000
<b>Current assets</b>				
FX forward contract – hedge accounted	61	61	-	-
<b>Non-current assets</b>				
Interest rates swap contracts – hedge accounted	9,073	9,073	9,142	9,142
Interest rates swap contracts	2,945	2,945	-	-
FX forward contract – hedge accounted	26,202	26,202	20,416	20,416
	<b>38,220</b>	<b>38,220</b>	<b>29,558</b>	<b>29,558</b>
<b>Current liabilities</b>				
FX forward contract – hedge accounted	-	-	(153)	(153)
Interest rate swaps – hedge accounted	(7)	(7)	-	-
	<b>(7)</b>	<b>(7)</b>	<b>(153)</b>	<b>(153)</b>
<b>Non-current liabilities</b>				
Interest rates swaps contracts – hedge accounted	(10,314)	(10,314)	(15,344)	(15,344)
Interest rates swaps contracts	(129,984)	(129,984)	(152,989)	(152,989)
	<b>(140,298)</b>	<b>(140,298)</b>	<b>(168,333)</b>	<b>(168,333)</b>
<b>Total Derivative financial instruments</b>	<b>(102,024)</b>	<b>(102,024)</b>	<b>(138,928)</b>	<b>(138,928)</b>

The fair value of derivative financial instruments is based on market rates on 30 June 2017.

**12.1 Foreign exchange forward swap contracts**

During the year ended 31 December 2016 the Group entered into foreign exchange forward contracts to hedge the variability in functional currency equivalent cash flows associated with committed EUR denominated capital expenditure. On inception the contracts entered into during the year were designated in hedge accounting relationships.

Counterparty	Notional amount 30 June 2017 £'000	Maturity date	Fair value 30 June 2017 £'000	Other comprehensive income 30 June 2017 £'000	Ineffective profit 30 June 2017 £'000	Realised gain/(loss) 30 June 2017 £'000
Relationship bank	88,919	20 August 2019	10,475	2,210	-	1,057
Relationship bank	201,818	1 July 2020	15,681	3,967	-	(742)
Relationship bank	1,430	1 July 2020	43	30	-	-
Relationship bank	508	20 August 2019	3	2	-	(2)
Relationship bank	4,103	25 October 2017	61	136	-	(114)
Relationship bank	-	Terminated	-	-	-	-
Relationship bank	-	Terminated	-	-	-	32
			<b>26,263</b>	<b>6,345</b>	-	<b>231</b>

**Notes to the condensed, consolidated interim financial statements (continued)**  
for the 6 months ended 30 June 2017

**12 Derivative financial instruments (continued)**

**12.1 Foreign exchange forward swap contracts (continued)**

Counterparty	Notional amount 31 December 2016 £'000	Maturity date	Fair value 31 December 2016 £'000	Other comprehensive income/(loss) 31 December 2016 £'000	Ineffective profit/(loss) 31 December 2016 £'000	Realised gain/(loss) 31 December 2016 £'000
Relationship bank	100,033	20 August 2019	9,324	9,321	3	-
Relationship bank	185,082	1 July 2020	11,084	11,086	(2)	-
Relationship bank	1,459	1 July 2020	8	8	-	-
Relationship bank	13,600	25 October 2017	(153)	(153)	-	-
Relationship bank		Terminated	-	2,910	30	-
Relationship bank		Terminated	-	2,699	46	1,319
			20,263	25,871	77	1,319

In determining the fair value of derivative financial instruments, the Directors have taken into account the contractual cash flows attached to the instrument and independently sourced forward exchange rates for the reporting date.

To date a realised loss of £87,801 has been recognised in property, plant and equipment additions. The residual gain will remain in the hedging reserve and realise in property, plant and equipment proportionately to the new build payment profile until the final payment in 2020.

Remaining foreign exchange forward contracts the Group held at the period end 30 June 2017 were not designated in hedge accounting relationships (31 December 2016: None).

**12.2 Interest rate swap contracts**

The Group has a number of interest rate derivative contracts which have been entered into to mitigate the risk from fluctuating interest rates on the cash flows arising on variable rate debt and forecasted future debt. During the period ended 30 June 2017, the following swaps were designated in hedge accounting relationships.

Counterparty	Notional amount 30 June 2017 £'000	Maturity date	Fair value 30 June 2017 £'000	Other comprehensive income 30 June 2017 £'000	Ineffective profit 30 June 2017 £'000	Realised gain/(loss) 30 June 2017 £'000
Relationship bank	100,000	01 October 2049	(10,314)	10,679	88	-
Relationship bank	300,000	01 February 2049	9,073	3,315	21	-
Relationship bank		Terminated	-	-	-	(204)
Relationship bank		Terminated	-	-	-	(114)
			(1,241)	13,994	109	(318)

Counterparty	Notional amount 31 December 2016 £'000	Maturity date	Fair value 31 December 2016 £'000	Other comprehensive income/(loss) 31 December 2016 £'000	Ineffective profit/(loss) 31 December 2016 £'000	Realised gain/(loss) 31 December 2016 £'000
Relationship banks		Terminated	-	(6,080)	-	(1,282)
Relationship banks	300,000	01 October 2049	(21,080)	(20,818)	(262)	-
Relationship banks	-	Terminated	-	(4,680)	-	-
Relationship banks	-	Terminated	-	(4,680)	-	-
Relationship banks	100,000	01 February 2049	5,736	5,664	72	-
			(15,344)	(30,594)	(190)	(1,282)

**Notes to the condensed, consolidated interim financial statements (continued)**  
for the 6 months ended 30 June 2017

**12 Derivative financial instruments (continued)**

**12.2 Interest rate swap contracts (continued)**

As at 30 June 2017, the hedges were deemed to be highly effective and the fair value liability associated to these interest rate swaps was £1,240,925 (31 December 2016: £15,344,426).

During the period ended 30 June 2017 profit of £13,994,245 (30 June 2016: loss of £50,263,813) was accounted for in Other comprehensive income, in respect of interest rate swaps.

The remaining interest rate swap contracts the Group held as at 30 June 2017 were not designated in hedge accounting relationships.

The fair value of derivative financial instruments was based on market rates at 30 June 2017.

**13 Cash and cash equivalents**

	<b>30 June 2017 £'000</b>	<b>31 December 2016 £'000</b>
Bank accounts	<u>113,678</u>	<u>50,566</u>

Within cash and cash equivalents there is a deposit of £26.4 million (year ended 31 December 2016: £26.4 million) which provides security for the Profit Participating Shares issued by one of the group undertakings. In addition £0.5 million (year ended 31 December 2016: £0.5 million) is restricted in terms of the agreement with the Law Debenture Trust Corporation plc, the security trustee for senior debt providers.

**14 Deferred revenue**

The deferred revenue arises in respect of the Group's obligations in respect of maintenance contracts in certain leases. Rentals received in relation to future maintenance costs are deferred and released when these costs are incurred.

	<b>30 June 2017 £'000</b>	<b>31 December 2016 £'000</b>
<b>Current liability</b>		
Arising in respect of maintenance contracts	<u>3,149</u>	<u>3,290</u>
<b>Non-current liability</b>		
Arising in respect of maintenance contracts	<u>138,180</u>	<u>123,756</u>

**15 Trade and other payables**

	<b>30 June 2017 £'000</b>	<b>31 December 2016 £'000</b>
Trade payables	12,179	14,859
Other payables	4,806	3,835
Lease rentals received in advance	16,983	13,247
Maintenance, acquisition and administrative accruals	67,722	20,764
Interest accrual	415	921
	<u>102,105</u>	<u>53,626</u>

**Notes to the condensed, consolidated interim financial statements (continued)**  
for the 6 months ended 30 June 2017

**16 Borrowings**

	30 June 2017 £'000	31 December 2016 £'000
<b>No later than one year</b>		
Bank loans	-	50,000
Interest accrued	16,681	14,999
Transaction costs	(1,587)	(1,764)
	<u>15,094</u>	<u>63,235</u>
<b>Later than one year</b>		
Bonds	1,540,000	1,440,000
Other loan	5,744	5,700
Transaction costs	(8,443)	(9,110)
Preference shares	25,000	25,000
Loan from Eversholt Investment Group (Luxembourg) Sarl	-	340,562
	<u>1,562,301</u>	<u>1,802,152</u>
	<u><b>1,577,395</b></u>	<u><b>1,865,387</b></u>

The Group has granted security over all of its assets to obtain external financing by way of bonds and loans. Fees incurred on raising finance have been capitalised. These fees will be amortised over the term of the borrowings.

The Profit Participating Shares ("PPS") carry a right to quarterly dividends. The PPS dividend element has two parts. The first part confers a right to a LIBOR based return. The second part confers a right to 0.5% of post-tax profits arising in the issuing company during the reference period. The PPS are classified as a non-current liability as the holders of these shares have a fixed entitlement to a dividend.

The bank loans are from a consortium of banks. The loans are fully repayable by November 2020. Interest on these loans is currently charged at Libor plus a margin (year ended 31 December 2016: Libor plus a margin).

Bond principal amount	Due date	Annual Interest rate Semi-annual coupon
£300m	2020	5.8%
£400m	2025	6.4%
£400m	2021-2035	6.7%
£100m	2029-2036	LIBOR+margin
£90m	2030	Fixed rate
£50m	2029-2036	Fixed rate
£100m	2026-2031	Fixed rate
£100m	2037	Fixed rate

None of the bonds are puttable.

Bank loans and Bond agreements impose certain covenants on the performance and management of the Group. Failure to comply with these covenants may result in the loans being repayable on demand.

**Notes to the condensed, consolidated interim financial statements (continued)**  
for the 6 months ended 30 June 2017

**17 Capital commitments**

	30 June 2017 £'000	31 December 2016 £'000
In respect of capital expenditure	<u>873,871</u>	<u>944,227</u>
The above represents all capital commitments.		

**18 Retirement benefit obligations**

**Reconciliation of Net Defined Benefit liability**

	30 June 2017 £'000	31 December 2016 £'000
Opening Net Defined Benefit Liability	5,968	2,763
Employer's share of pension expense	-	420
Employer contributions	-	(203)
Total loss recognised in statement of comprehensive income	-	2,988
<b>Closing Net Defined Benefit Liability</b>	<u>5,968</u>	<u>5,968</u>

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

Except where disclosed elsewhere, there are no material differences between the carrying value and the fair value of financial assets and liabilities as at 30 June 2017.

**20 Related party transactions**

**20.1 Identity of related parties**

The ultimate parent undertaking (which is the ultimate controlling party) is CK Hutchison Holdings Limited.

**20.2 Transactions with related parties**

As at 30 June 2017 the Group owed £340,561,539 to its immediate parent Eversholt UK Rails Limited. Interest on these loans is disclosed in note 6.

**21 Contingent liabilities**

There were no contingent liabilities for the Group at 30 June 2017.

**22 Subsequent events**

The Company raised new finance of £400,000,000 through a public bond issue. The funds were drawn on 7 August 2017 at a fixed interest rate of 3.529% and a final maturity of 2042 (25-year bond amortising from 2034).