

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

**Unaudited, condensed, consolidated
interim financial statements
for the 6 months ended 30 June 2018**

Registered No: 10783654

Condensed, consolidated interim financial statements
for the 6 months ended 30 June 2018

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Unaudited

Condensed, consolidated income statement
for the 6 months ended 30 June 2018

	Note	6 months ended	
		30 June 2018 £'000	30 June 2017 £'000
Revenue			
Finance lease income		256	329
Operating lease income		153,119	152,462
Maintenance income		25,063	26,660
Other revenue		1,577	1,033
Total revenue		180,015	180,484
Cost of sales	4	(78,590)	(75,552)
Gross profit		101,425	104,932
Finance income	5	1,073	113
Finance expense	6	(74,966)	(70,914)
Net fair value gain on derivative financial instruments		9,947	16,911
Administrative expense	7	(10,460)	(9,426)
Loss on disposal of property, plant and equipment		(10)	-
Profit before tax		27,009	41,616
Income tax charge		(6,327)	(10,050)
Profit for the period		20,682	31,566

There were no discontinued or discontinuing operations during the period.

The notes on pages 6 to 16 form an integral part of these financial statements.

Condensed, consolidated statement of comprehensive income
for the 6 months ended 30 June 2018

	Note	6 months ended	
		30 June 2018 £'000	30 June 2017 £'000
Profit for the period		20,682	31,566
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges	12	6,728	20,339
Realised loss on cash flow hedged to Property, plant and equipment	12	80	87
Tax charge on changes in effective portion of changes in fair value of cash flow hedges	11	(1,158)	(3,472)
		5,650	16,954
Total comprehensive income for the period		26,332	48,520

Effective portion of changes in fair value cash flow hedges may be reclassified to the Income statement upon termination of cash flow hedges.

Condensed, consolidated statement of financial position
as at 30 June 2018

		30 June 2018 £'000	31 December 2017 £'000
Assets	Note		
Non-current assets			
Property, plant and equipment	8	2,024,040	2,009,163
Finance lease receivables	9	5,874	6,333
Derivative financial instruments	12	25,612	34,202
Deferred tax	11	26,300	30,521
Investment in subsidiary		2,835	2,835
		<u>2,084,661</u>	<u>2,083,054</u>
Current assets			
Inventory		839	942
Finance lease receivables	9	888	865
Trade and other receivables	10	26,492	42,549
Cash and cash deposits	13	377,623	344,605
		<u>405,842</u>	<u>388,961</u>
Total assets		<u>2,490,503</u>	<u>2,472,015</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	15	45,374	58,999
Current tax		9,596	8,978
Borrowings	16	44,022	20,534
Deferred revenue	14	3,987	3,142
Provisions		35	35
		<u>103,014</u>	<u>91,688</u>
Non-current liabilities			
Retirement benefit obligation		3,874	3,874
Borrowings	16	2,283,671	2,283,562
Amounts owed to Eversholt Rail (365) Limited		16,930	13,695
Deferred tax	11	81,691	78,298
Deferred revenue	14	146,109	146,751
Derivative financial instruments	12	126,206	151,471
		<u>2,658,481</u>	<u>2,677,651</u>
Total liabilities		<u>2,761,495</u>	<u>2,769,339</u>
Equity			
Share capital		-	-
Other reserve		13,672	13,672
Accumulated deficit		(291,423)	(312,105)
Hedge reserve	12	6,759	1,109
Total equity		<u>(270,992)</u>	<u>(297,324)</u>
Total equity and liabilities		<u>2,490,503</u>	<u>2,472,015</u>

The notes on pages 6 to 16 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 17 September 2018. 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 2018

	Note	6 months ended	
		30 June 2018 £'000	30 June 2017 £'000
Cash flows from operating activities			
Profit before tax		27,009	41,616
Adjustments for:			
- Depreciation		59,264	54,633
- Write down in the value of inventory		103	103
- Fair value adjustment on derivative financial instruments		(9,947)	(16,911)
- Unwinding of capitalised finance charges		1,000	1,900
- Loss on disposal of property, plant and equipment		10	-
- Interest on net borrowings		72,893	68,901
Operating cash flow before changes in working capital		150,332	150,242
Decrease in finance lease receivables		436	488
Decrease/(increase) in trade and other receivables		16,057	(6,149)
(Decrease)/increase in deferred revenue		(967)	13,301
(Decrease)/increase in trade and other payables		(13,287)	49,031
Cash generated by operating activities		152,571	206,913
Taxation received/(paid)		746	(5,799)
Interest received		1,073	113
Net cash generated by operating activities		154,390	201,227
Cash flow from investing activities			
Acquisition of property, plant and equipment		(74,071)	(103,293)
Net cash utilised in investing activities		(74,071)	(103,293)
Cash flow from financing activities			
Funds raised		-	50,000
Finance expense paid		(50,536)	(67,912)
Settlements on derivative instruments		-	324
Dividends paid		-	(23,041)
Receipt from Eversholt Rail (365) Limited		3,235	5,807
Net cash utilised in financing activities		(47,301)	(34,822)
Net increase in cash and cash equivalents		33,018	63,112
Cash and cash equivalents at beginning of the period		94,605	50,566
Cash and cash equivalents at end of the period	13	127,623	113,678

Condensed, consolidated statement of changes in equity
for the 6 months ended 30 June 2018

	Note	Share capital £'000	Other reserve £'000	Hedging reserve £'000	Accumulated deficit £'000	Total equity £'000
Balance at 1 January 2017		-	13,672	(3,944)	(308,465)	(298,737)
Profit for the year		-	-	-	37,366	37,366
Effective portion of changes in fair value of cash flow hedges	12	-	-	5,792	-	5,792
Realised loss on cash flow hedges to property, plant and equipment	12	-	-	296	-	296
Income tax charge on other comprehensive income	11	-	-	(1,035)	(417)	(1,452)
Actuarial gain on defined benefit scheme		-	-	-	2,452	2,452
Total comprehensive expense		-	-	5,053	39,401	44,454
Dividend paid		-	-	-	(43,041)	(43,041)
Balance at 31 December 2017		-	13,672	1,109	(312,105)	(297,324)
Profit for the period		-	-	-	20,682	20,682
Effective portion of changes in fair value of cash flow hedges	12	-	-	6,728	-	6,728
Realised loss on cash flow hedges to property, plant and equipment	12	-	-	80	-	80
Income tax charge on other comprehensive income	11	-	-	(1,158)	-	(1,158)
Total comprehensive income		-	-	5,650	20,682	26,332
Balance at 30 June 2018		-	13,672	6,759	(291,423)	(270,992)

Notes to the condensed, consolidated interim financial statements for the 6 months ended 30 June 2018

1 General information

Eversholt UK Rails (Holding) Limited (the "Company"), is a private company incorporated on 22 May 2017 under the Companies Act and domiciled in England and Wales and is limited by ordinary shares. The registered office of the Company is 210 Pentonville Road, London, N1 9JY, United Kingdom.

2 Basis of preparation

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

2.1 Basis of consolidation

The consolidated financial statements of Eversholt UK Rails (Holding) Limited and its subsidiaries except for Eversholt Rail (365) Limited (the "Group") have been prepared solely for the reporting requirements of the Financing Documents dated 4 November 2010 entered into by certain of the Company's subsidiaries and which the Company acceded to on 28 June 2017.

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 at 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 values 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 interim financial statements of Eversholt UK Rails (Holding) Limited have been prepared on the historical cost basis except for the revaluation of derivative financial instruments.

Except for the disaggregation of Eversholt Rail (365) Limited, the condensed interim financial statements have 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 Group since the last annual financial statements as at and for year ended 31 December 2017. The condensed interim financial statements do 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 2017.

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 statements have been assessed in conjunction with the financial position of Group's 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 Group 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 statements are the same as those applied by the Group in its financial statements for the year ended 31 December 2017.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2018

4 Cost of sales

	6 months ended	
	30 June 2018	30 June 2017
	£'000	£'000
Depreciation	(59,103)	(54,477)
Maintenance cost	(19,384)	(20,972)
Write down in the value of inventories	(103)	(103)
	<u>(78,590)</u>	<u>(75,552)</u>

5 Finance income

	6 months ended	
	30 June 2018	30 June 2017
	£'000	£'000
Bank interest	1,073	113
	<u>1,073</u>	<u>113</u>

6 Finance expense

	6 months ended	
	30 June 2018	30 June 2017
	£'000	£'000
Interest and other expenses		
Interest payable to Eversholt UK Rails Limited/Eversholt Investment Group (Luxembourg) Sarl	(23,749)	(23,880)
Profit participating preference share dividend	(189)	(284)
Interest payable on derivatives	(7,835)	(8,023)
Interest payable on bank loans	-	(200)
Interest payable on bonds	(41,010)	(35,645)
Other finance costs	(1,183)	(982)
Unwinding of capitalised borrowing costs	(1,000)	(1,900)
	<u>(74,966)</u>	<u>(70,914)</u>

7 Administrative expense

Administrative expense include the following:

	6 months ended	
	30 June 2018	30 June 2017
	£'000	£'000
Depreciation	(161)	(156)
Defined contribution pension costs	(369)	(354)
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	(166)	(120)

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2018

8 Property, plant and equipment

	Other assets £'000	Rolling stock and other railway assets £'000	Total £'000
Cost			
Balance at 1 January 2017	3,570	2,618,851	2,622,421
Additions	177	248,555	248,732
Disposals	-	-	-
Balance at 31 December 2017	<u>3,747</u>	<u>2,867,406</u>	<u>2,871,153</u>
Additions	20	74,131	74,151
Disposals	-	(2,386)	(2,386)
Balance at 30 June 2018	<u>3,767</u>	<u>2,939,151</u>	<u>2,942,918</u>
Depreciation			
Balance at 1 January 2017	2,644	747,381	750,025
Charge for the year	318	111,647	111,965
Disposals	-	-	-
Balance at 31 December 2017	<u>2,962</u>	<u>859,028</u>	<u>861,990</u>
Charge for the period	161	59,103	59,264
Disposals	-	(2,376)	(2,376)
Balance at 30 June 2018	<u>3,123</u>	<u>915,755</u>	<u>918,878</u>
Carrying value at 30 June 2018	<u>644</u>	<u>2,023,396</u>	<u>2,024,040</u>
Carrying value at 31 December 2017	<u>785</u>	<u>2,008,378</u>	<u>2,009,163</u>

The cost of tangible fixed assets at 30 June 2018 includes capitalised interest of £32,897,397 (31 December 2017: £25,718,165). The capitalisation rate used is the rate of interest attaching to the Group's borrowings attributable to the acquisition of rolling stock, see note 16 for more details.

Other assets relate to equipment, fixtures and fittings.

The depreciation charge on rolling stock and other railway assets is included within cost of sales in the Income statement. The depreciation on other assets is included in administrative expense.

9 Finance lease receivables

	30 June 2018 £'000	31 December 2017 £'000
Gross investment in finance leases		
Amounts falling due:		
No later than one year	1,392	1,403
Later than one year and no later than five years	5,535	7,442
Later than five years	1,611	2,302
Gross investment in finance leases	<u>8,538</u>	<u>11,147</u>
Unearned finance income	(1,776)	(3,949)
Net investment in finance leases less provisions	<u>6,762</u>	<u>7,198</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2018

9 Finance lease receivables (continued)

	30 June 2018 £'000	31 December 2017 £'000
Amortisation of finance lease receivables:		
Amounts falling due:		
No later than one year	888	865
Later than one year and no later than five years	4,358	4,168
Later than five years	1,516	2,165
Present value of minimum lease receivables	<u>6,762</u>	<u>7,198</u>
Fair value of amounts receivable under finance leases	<u>6,762</u>	<u>7,198</u>
Aggregate finance lease income receivable in the period/year	<u>256</u>	<u>635</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 a finance leasing arrangement for one of its depots. This lease is due to expire in 7 years' time.

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.

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% (2017: 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

	30 June 2018 £'000	31 December 2017 £'000
Current		
Trade receivables	6,450	11,847
Maintenance prepayment	18,457	30,093
Other receivables	1,585	609
	<u>26,492</u>	<u>42,549</u>

11 Deferred tax

	30 June 2018 £'000	31 December 2017 £'000
Balance at beginning of the period/year	47,777	33,473
Amount arising from temporary differences:		
- Capital allowances	6,018	13,025
- Movement in provision	-	(89)
- Movement in pension provision	-	(69)
- Movement in fair value on derivatives	1,691	3,004
Change in tax rates	(1,224)	(2,368)
Other comprehensive expense:		
- actuarial movement on retirement benefit obligations	-	417
- movement on hedge reserve	1,158	1,035
Prior year adjustment	(29)	(651)
Balance at end of the period/year	<u>55,391</u>	<u>47,777</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2018

11 Deferred tax (continued)

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:

	30 June 2018 £'000	31 December 2017 £'000
Deferred tax asset	(26,300)	(30,521)
Deferred tax liability	<u>81,691</u>	<u>78,298</u>
	<u>55,391</u>	<u>47,777</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 2018 has been calculated based on rates of 17% (31 December 2017: 17%) substantively enacted at the reporting date.

12 Derivative financial instruments

	Group	
	30 June 2018 £'000	31 December 2017 £'000
Non-current assets		
Interest rate swap contracts	(1,826)	(6,294)
FX forward contract – hedge accounted	<u>(23,786)</u>	<u>(27,908)</u>
	<u>(25,612)</u>	<u>(34,202)</u>
Non-current liabilities		
Interest rate swap contracts	<u>113,291</u>	127,557
Interest rate swap contracts – hedge accounted	<u>12,915</u>	<u>23,914</u>
	<u>126,206</u>	<u>151,471</u>
Total derivative financial instruments	<u>100,594</u>	<u>117,269</u>

The fair value of derivative financial instruments is based on market rates on 30 June 2018.

12.1 Foreign exchange forward swap contracts

During the period the Group continued to hold 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 were designated in hedge accounting relationships.

As at 30 June 2018, the designated hedges were deemed to be highly effective and the fair value asset of the foreign exchange forward contracts was £23,785,851 (31 December 2017: 27,908,113).

The hedging reserve contains balances relating to outstanding and terminated derivative contracts.

During the period, a loss of £363,150 (31 December 2017: £473,475) was realised in property, plant and equipment additions; the residual gain recognised in other comprehensive income will amortise to property, plant and equipment in line with the payment profile of the hedged capital expenditure.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2018

12 Derivative financial instruments (continued)

12.1 Foreign exchange forward swap contracts (continued)

Group

	Current hedge accounted £'000	Terminated hedge accounted £'000	Total £'000
Movement in fair value of Derivative financial instruments			
Balance as at 1 January 2018	27,908	-	27,908
Unrealised gain through the income statement	25	-	25
Unrealised loss through other comprehensive income	(4,147)	-	(4,147)
Balance as at 30 June 2018	23,786	-	23,786
Balance as at 1 January 2017	20,416	(153)	20,263
Unrealised loss through the income statement	(20)	-	(20)
Unrealised gain through other comprehensive income	7,512	153	7,665
Balance as at 31 December 2017	27,908	-	27,908
Movement in Hedging reserve			
Balance as at 1 January 2018	(23,052)	(3,303)	(26,355)
Transfer between categories	(153)	153	-
Unrealised loss through other comprehensive income	4,147	-	4,147
Release to property, plant & equipment	335	28	363
Income tax credit on other comprehensive expense	(735)	(31)	(766)
Balance as at 30 June 2018	(19,458)	(3,153)	(22,611)
Balance as at 1 January 2017	(16,817)	(3,569)	(20,386)
Unrealised gain through other comprehensive income	(7,512)	(153)	(7,665)
Release to property, plant & equipment	-	473	473
Income tax charge/(credit) on other comprehensive income/expense	1,277	(54)	1,223
Balance as at 31 December 2017	(23,052)	(3,303)	(3,303)

12.2 Interest rate swap contracts

The Group continued to hold swap contracts to hedge its interest rate risk exposure. As at 30 June 2018, the Group's hedge accounted swaps were deemed to be highly effective and the fair value liability associated to these interest rate swaps was £12,914,860 (31 December 2017: £23,914,501).

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2018

12 Derivative financial instruments (continued)

12.2 Interest rate swap contracts (continued)

Group

	Not hedge accounted £'000	Current hedge accounted £'000	Terminated hedge accounted £'000	Total £'000
Movement of fair value in Derivative financial instruments				
Balance as at 1 January 2018	(121,263)	(23,914)	-	(145,177)
Unrealised gain through the income statement	9,798	124	-	9,922
Unrealised gain through other comprehensive income	-	10,875	-	10,875
Balance as at 30 June 2018	(111,465)	(12,915)	-	(124,380)
Balance as at 1 January 2017	(143,848)	(21,080)	5,736	(159,192)
Unrealised gain/(loss) through the income statement	15,687	(84)	-	15,603
Realised gain through the income statement	-	-	285	285
Unrealised (loss)/gain through other comprehensive income	-	(2,750)	877	(1,873)
Consideration paid on termination	-	-	(6,898)	(6,898)
Impact of repricing for consideration of swap terminated	6,898	-	-	6,898
Balance as at 31 December 2017	(121,263)	(23,914)	-	(145,177)

Group

	Current hedge accounted £'000	Terminated hedge accounted £'000	Total £'000
Movement in Hedging reserve			
Balance as at 1 January 2018	19,562	5,684	25,246
Unrealised gain through other comprehensive income	(10,875)	-	(10,875)
Release to property, plant & equipment	(241)	(202)	(443)
Income tax charge on other comprehensive income	1,890	34	1,924
Balance as at 30 June 2018	10,336	5,516	15,852
Balance as at 1 January 2017	17,280	7,050	24,330
Unrealised loss/(gain) through other comprehensive income	2,750	(877)	1,873
Release to property, plant & equipment	-	(769)	(769)
Income (credit)/charge tax on other comprehensive expense/income	(468)	280	(188)
Balance as at 31 December 2017	19,562	5,684	25,246

Notes to the condensed, consolidated interim financial statements (continued)

for the 6 months ended 30 June 2018

12 Derivative financial instruments (continued)

12.2 Interest rate swap contracts (continued)

Certain bond agreements include contractual obligations to settle cross-currency derivative financial instruments, that the lender has entered into pursuant to the bonds, in the event that the Group either defaults on or repays the bonds before maturity. The embedded derivatives resulting from such arrangements have been valued at £nil (31 December 2017: £nil) on the basis that the Group is not in default and is not forecast to be in default or repay bonds early.

During the year ended 31 December 2017 three derivative interest rate contracts were terminated for a consideration of £6,898,000. The consideration was used to reprice other contracts held with the same counterparties.

At 30 June 2018, the Group held interest rate swaps with a fair value of £111,464,515 (liability) (31 December 2017: liability of £121,263,000) which were not designated in hedging relationships for accounting purposes.

13 Cash and cash deposits

Cash and cash deposits are analysed as:

	31 June 2018 £'000	31 December 2017 £'000
Cash	47,623	14,605
Cash demand deposits	80,000	80,000
Cash and cash equivalents	127,623	94,605
Short-term deposits	250,000	250,000
Cash and cash deposits	377,623	344,605

Within cash and cash equivalents there is a deposit of £2,600,000 (31 December 2017: £2,600,000) which provides security for the Profit Participating Shares issued by a subsidiary. £500,000 of cash and cash equivalents (31 December 2017: £500,000) is restricted cash in line with the terms of an agreement with the security trustee for the Group's secured creditors.

Short-term bank deposits have maturity between three and twelve months.

14 Deferred revenue

Rentals received in relation to future maintenance costs are deferred and released when these costs are incurred.

	30 June 2018 £'000	31 December 2017 £'000
Current		
Arising in respect of maintenance contracts	3,987	3,142
Non-current		
Arising in respect of maintenance contracts	146,109	146,751
	150,096	149,893

The deferred revenue arises in respect of the Group's obligations in respect of maintenance contracts in certain leases.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2018

15 Trade and other payables

	30 June 2018 £'000	31 December 2017 £'000
Trade payables	12,279	11,667
Other payables	3,928	6,333
Rentals received in advance	3,667	10,829
Maintenance, acquisition and administrative accruals	25,205	29,578
Interest accrual	295	592
	45,374	58,999

16 Borrowings

	30 June 2018 £'000	31 December 2017 £'000
Current		
Interest accrued	44,523	21,151
Transaction costs	(501)	(617)
	44,022	20,534
Non-current		
Bonds	1,940,000	1,940,000
Other loan	5,831	5,786
Transaction costs	(5,222)	(5,286)
Profit Participating Shares	2,500	2,500
Loan from Eversholt UK Rails Limited	340,562	340,562
	2,283,671	2,283,562
	2,327,693	2,304,096

The Company has access to Bank loans through a £600m committed revolving credit facility available until 2022, which was undrawn as at 30 June 2018.

The Bank loans and Bonds impose certain covenants on the performance and management of the Group. Failure to comply with these may result in the Bank loans and Bonds being repayable on demand. The Group was in compliance with the covenants during 2017 and the period to 30 June 2018.

The Bank loans and Bonds are secured against substantially all of the Group's assets by way of fixed and floating charges. The security is held by The Law Debenture Trust Corporation plc (in its capacity as Security Trustee). The Group is not permitted to create additional security over its assets apart from in limited circumstances that have been agreed with its financiers.

None of the Bonds are puttable.

Fees incurred on raising finance have been capitalised and are being amortised using the effective interest method over the term of the borrowings.

The Bank loans are from a syndicate of banks. The loans are fully repayable by November 2022. Interest on these loans is currently charged at LIBOR plus a margin (31 December 2017: LIBOR plus a margin).

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2018

16 Borrowings (continued)

Bond principal amount	Due date	Interest rate Semi-annual coupon
£300m	2020	5.8%
£400m	2025	6.4%
£400m	2021-2035	6.7%
£100m	2028-2036	LIBOR + margin
£90m	2030	Fixed rate
£50m	2028-2036	Fixed rate
£100m	2026-2031	Fixed rate
£100m	2037	Fixed rate
£400m	2034-2042	3.5%

The Profit Participating Shares ("PPS") carry a right to quarterly dividends. The PPS dividend has two parts. The first part confers a right to a LIBOR based return. The second part confers a right to 0.1% 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 loan from Eversholt UK Rails Limited is unsecured, and carries a fixed rate of interest. The loan is subordinated to the Bank loan and Bonds in accordance with the terms of a Security Trust and Intercreditor Deed.

Maturity of borrowings

The maturity profile of the carrying amount of the Company's non-current borrowings at 30 June 2018 was as follows:

	30 June 2018 £'000	31 December 2017 £'000
In more than two years but not more than five years	348,688	348,643
In more than five years	1,940,205	1,940,205
	<u>2,288,893</u>	<u>2,288,848</u>

17 Capital commitments

	30 June 2018 £'000	31 December 2017 £'000
In respect of capital expenditure	732,909	746,770

The above represents all capital commitments.

18 Fair value of financial assets and liabilities

	Carrying amount 30 June 2018 £'000	Fair value 30 June 2018 £'000	Carrying amount 31 December 2017 £'000	Fair value 31 December 2017 £'000
Publicly traded bonds	<u>1,500,000</u>	<u>1,724,165</u>	<u>1,500,000</u>	<u>1,790,147</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2018

18 Fair value of financial assets and liabilities (continued)

Except as disclosed above, there are no material differences between the carrying value and the fair value of financial assets and liabilities as at 30 June 2018.

19 Related party transactions

19.1 Identity of related parties

The ultimate parent undertaking (which is the ultimate controlling party) is CK Hutchison Holdings Limited, incorporated in Cayman Islands.

19 Related party transactions (continued)

19.2 Transactions with related parties

As at 30 June 2018 the Group owed £340,561,539 to its immediate parent Eversholt UK Rails Limited, disclosed in note 16. Interest on these loans is disclosed in note 6.

The Group received fees of £5,723,040 (6 months ended 30 June 2017: £4,881,983) during the year for the provision of maintenance procurement and management services to Eversholt Rail (365) Limited. The Group received management service fees of £357,852 (6 months to 30 June 2017: £360,908) from Eversholt Rail (365) Limited. Amounts owed and payments made to Eversholt Rail (365) Limited are shown in the Consolidated statement of financial position and Consolidated statement of cash flows respectively.

The Group paid management service fees of £60,000 (6 months ended to 30 June 2017: £nil) to Eversholt UK Rails Limited.

20 Contingent liabilities

There were no contingent liabilities for the Group at 30 June 2018.

21 Subsequent events

Eversholt Rail (380) Limited was released as an Obligor of the Security Group on 6 July 2018. Its Board subsequently approved its striking off from the Companies House register. The Board anticipates that the company will be wound up by December 2018.

