

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

**Unaudited, condensed, consolidated
interim financial statements
for the 6 months ended 30 June 2019**

Registered No: 10783654

Condensed, consolidated interim financial statements
for the 6 months ended 30 June 2019

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Condensed, consolidated income statement
for the 6 months ended 30 June 2019

		6 months ended	
		30 June 2019	30 June 2018
		£'000	£'000
Revenue	Note		
Finance lease income	4.1	295	256
Operating lease income	4.1	173,154	153,119
Maintenance income	4.1	29,607	25,063
Other revenue	4.1	7,981	1,577
Total revenue		211,037	180,015
Cost of sales	6	(92,245)	(78,590)
Gross profit		118,792	101,425
Finance income	7	242	1,073
Finance expense	8	(79,864)	(74,966)
Net fair value (loss)/gain on derivative financial instruments	19	(749)	9,947
Administrative expense	9	(10,960)	(10,460)
Loss on disposal of property, plant and equipment		(1,996)	(10)
Profit before tax		25,465	27,009
Income tax charge	12	(6,334)	(6,327)
Profit for the period		19,131	20,682

There were no discontinued or discontinuing operations during the period.

The notes on pages 6 to 25 form an integral part of these financial statements.

Condensed, consolidated statement of comprehensive income
for the 6 months ended 30 June 2019

		6 months ended	
		30 June 2019	30 June 2018
		£'000	£'000
Profit for the period		19,131	20,682
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges	19	(39,674)	6,728
Realised (loss)/gain on cash flow hedges to property, plant and equipment	19	(283)	80
Realised gain on cash flow hedges to the income statement	19	238	-
Tax credit/(charge) on changes in effective portion of changes in fair value of cash flow hedges	16	6,754	(1,158)
		(32,965)	5,650
Total comprehensive (expense)/income for the period		(13,834)	26,332


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

Condensed, consolidated statement of financial position
as at 30 June 2019

		30 June 2019 £'000	31 December 2018 £'000
Assets	Note		
Non-current assets			
Property, plant and equipment	13	2,261,145	2,117,835
Right of use assets	14	4,652	-
Finance lease receivables	15	4,919	5,415
Derivative financial instruments	19	22,492	23,298
Deferred tax	16	29,007	29,189
Investment in subsidiary	28	-	-
		<u>2,322,215</u>	<u>2,175,737</u>
Current assets			
Inventory	23	623	736
Finance lease receivables	15	963	918
Trade and other receivables	17	26,842	21,211
Cash and cash deposits	20	145,846	224,716
		<u>174,274</u>	<u>247,581</u>
Total assets		<u>2,496,489</u>	<u>2,423,318</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	22	30,293	54,547
Lease liabilities	18	972	-
Current tax		10,753	4,194
Borrowings	24	95,714	20,735
Amounts owed to Eversholt Rail (365) Limited		10,818	7,474
Other liabilities	21	12,485	4,485
Provisions	26	35	35
		<u>161,070</u>	<u>91,470</u>
Non-current liabilities			
Retirement benefit obligation		3,691	3,691
Lease liabilities	18	5,470	-
Borrowings	24	2,284,306	2,283,924
Deferred tax	16	78,463	81,990
Contract liabilities	4.2	8,373	24,219
Other liabilities	21	130,110	116,323
Derivative financial instruments	19	167,852	128,235
		<u>2,678,265</u>	<u>2,638,382</u>
Total liabilities		<u>2,839,335</u>	<u>2,729,852</u>
Equity			
Share capital	27	-	-
Other reserve		13,672	13,672
Accumulated deficit		(324,251)	(320,904)
Hedging reserve	19	(32,267)	698
Total equity		<u>(342,846)</u>	<u>(306,534)</u>
Total equity and liabilities		<u>2,496,489</u>	<u>2,423,318</u>

The notes on pages 6 to 25 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 2 September 2019. 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 2019

	Note	6 months ended	
		30 June 2019	30 June 2018
		£'000	£'000
Cash flows from operating activities			
Profit before tax		25,465	27,009
Adjustments for:			
- Depreciation	6,9	70,690	59,264
- Write down in the value of inventory	23	113	103
- Fair value adjustment on derivative financial instruments	19	749	(9,947)
- Unwinding of capitalised finance charges	8	1,172	1,000
- Loss on disposal of property, plant and equipment	13	1,996	10
- Interest on net borrowings	7,8	78,450	72,893
Operating cash flow before changes in working capital		178,635	150,332
Decrease in finance lease receivables	15	451	436
(Increase)/decrease in trade and other receivables	17	(5,631)	16,057
Increase/(decrease) in Contract and Other liabilities	4,21	4,561	(967)
Decrease in trade and other payables	22	(24,254)	(13,287)
Cash generated by operating activities		153,762	152,571
Taxation received		3,949	746
Interest received	7	242	1,073
Net cash generated by operating activities		157,953	154,390
Cash flow from investing activities			
Acquisition of property, plant and equipment	13	(212,250)	(74,071)
Proceeds from sale of property, plant and equipment	13	155	-
Investment in short-term bank deposits	20	(65,093)	-
Net cash utilised in investing activities		(277,188)	(74,071)
Cash flow from financing activities			
External funds raised	25	75,000	-
Interest paid on bank loans		-	(312)
Interest paid on bonds	25	(49,364)	(41,242)
Interest paid on loan from Eversholt UK Rails Limited	25	(23,749)	-
Profit Participating Shares interest paid	25	(157)	(170)
Interest paid on swaps	25	(7,534)	(7,980)
Other finance costs paid	25	(851)	(820)
Repayment of lease liability	18	(461)	-
Dividends paid	33	(20,950)	-
Movement in loan from Eversholt Rail (365) Limited	25	3,338	3,223
Net cash utilised in financing activities		(24,728)	(47,301)
Net increase in cash and cash equivalents		(143,963)	33,018
Cash and cash equivalents at the beginning of the period		194,716	94,605
Cash and cash equivalents at the end of the period	20	50,753	127,623

Condensed, consolidated statement of changes in equity
for the 6 months ended 30 June 2019

	Note	Share capital £'000	Other reserve £'000	Hedging reserve £'000	Accumulated deficit £'000	Total equity £'000
Balance at 1 January 2018		-	13,672	1,109	(312,105)	(297,324)
Profit for the year		-	-	-	20,682	20,682
Effective portion of changes in fair value of cash flow hedges	19	-	-	6,728	-	6,728
Realised gain on cash flow hedges to property, plant and equipment	19	-	-	80	-	80
Income tax charge on other comprehensive income	16	-	-	(1,158)	-	(1,158)
Total comprehensive expense		-	-	5,650	20,682	26,332
Dividend paid		-	-	-	-	-
Balance at 30 June 2018		-	13,672	6,759	(291,423)	(270,992)
Balance at 1 January 2019		-	13,672	698	(320,904)	(306,534)
Profit for the period		-	-	-	19,131	19,131
Effective portion of changes in fair value of cash flow hedges	19	-	-	(39,674)	-	(39,674)
Realised loss on cash flow hedges to property, plant and equipment	19	-	-	(283)	-	(283)
Realised gain on cash flow hedges to the income statement	19	-	-	238	-	238
Income tax credit on other comprehensive income	16	-	-	6,754	-	6,754
Adjustment in respect of impact of adoption of IFRS 16 Leases	5	-	-	-	(1,841)	(1,841)
Income tax on adjustment in respect of impact of adoption of IFRS 16 Leases	5	-	-	-	313	313
Total comprehensive income		-	-	(32,965)	17,603	(15,362)
Dividend paid		-	-	-	(20,950)	(20,950)
Balance at 30 June 2019		-	13,672	(32,267)	(324,251)	(342,846)

Dividends of £205,392 per share were paid during the period (6 months ended 30 June 2018: £nil per share).

Notes to the condensed, consolidated interim financial statements
for the 6 months ended 30 June 2019

1 General information

Eversholt UK Rails (Holding) Limited is a private company limited by shares (see note 27). 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 less impairment. 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 2018. 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 2018.

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 consolidated interim 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 2018, except in relation to accounting for leases under IFRS 16 Leases, details of which are set out in note 5.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2019

4 Revenue from contracts with customers

4.1 Revenue information

The Group generates revenue primarily from the rental of rolling stock assets under operating leases and where applicable, from the provision of maintenance services. Total income can be analysed as follows:

	6 months ended	
	30 June 2019	30 June 2018
	£'000	£'000
Operating lease rental income	173,154	153,119
Finance lease rental income	295	256
Revenue from contracts with customers		
- Maintenance income	29,607	25,063
- Other income	7,981	1,577
	<u>211,037</u>	<u>180,015</u>

Maintenance income

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

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

The transaction price allocated to (partially) unsatisfied performance obligations at 30 June 2019 is set out below.

As maintenance expenditure is incurred, the Group expects that these performance obligations will be satisfied in the following periods:

	30 June 2019	31 December 2018
	£'000	£'000
Within 1 year	28,466	35,282
1-5 years	52,144	61,640
	<u>80,610</u>	<u>96,922</u>

Other income

Other income primarily relates to the provision in the UK of asset management services.

The transaction price allocated to (partially) unsatisfied performance obligations at 30 June 2019 is set out below.

Performance obligations expected to be fulfilled in relation to the customer:

	30 June 2019	31 December 2018
	£000	£000
Within 1 year	2,989	2,842
1-2 years	2,989	2,932
2-5 years	9,967	9,797
> 5 years	34,376	35,186
	<u>50,321</u>	<u>50,757</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2019

4 Revenue from contracts with customers (continued)

4.2 Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers. In previous periods, such amounts were described as "prepaid maintenance" and "deferred income" respectively. Descriptions in the Statement of financial position have been updated accordingly.

Contract assets, contract liabilities and trade receivables in relation to maintenance services are as follows:

	30 June 2019 £'000	31 December 2018 £'000
Contract assets	10,022	16,363
Contract liabilities	8,373	24,219
Trade receivables	16,819	2,730

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

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

Current period movements on these amounts can be attributed to normal business activity (i.e. the recognition of revenue; maintenance services performed; amounts invoiced; and consideration for services received in advance of performing the maintenance activity).

5 Leases

The Group acts as a lessee and a lessor in lease transactions. The Group adopted IFRS 16 Leases with the effect from 1 January 2019. IFRS 16 Leases replaces IAS 17 and the Group's accounting policy and the impact of the adoption of the new standard is summarised below.

5.1 IFRS 16 Leases – accounting policy

The Group as lessee

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

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

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

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

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2019

5 Leases (continued)

5.1 IFRS 16 Leases – accounting policy (continued)

The Group as lessee (continued)

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

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

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

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

The Group as lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership to the lessee. Otherwise, the lease is classified as an operating lease.

The Group enters into operating lease arrangements as lessor with respect to the following assets:

- Rolling stock and other railway assets, classified as Property, plant and equipment (note 13)
- Other assets, classified as Property, plant and equipment (note 13)

If the Group is an intermediate lessor, it accounts for the headlease and the sublease as two separate arrangements. The sublease is classified as a finance or operating lease by reference to the right of use asset arising under the headlease.

Rental income from operating leases is recognised on a straight line basis over the lease term of the related lease. Initial direct costs incurred in negotiation and arranging an operating lease are added to the initial carrying amount of the lease asset and recognised straight line over the lease term.

Amounts due from lessees under a finance lease are recognised as received, at an amount equal to the Group's net investment in the leases. Finance lease income is allocated to periods so as to reflect a constant periodic rate of return on the Group's net investment in respect of the lease.

5.2 Financial impact of the initial application of IFRS 16

The Group adopted modified retrospective method to implement the standard and therefore has not restated comparative information. The cumulative effect of adoption is reflected as an adjustment to the opening balance of retained earnings. On transition to IFRS 16, the Group has recognised right of use assets of £4,894,189, corresponding lease liabilities of £6,735,083 and deferred tax of £312,952. The difference between these amounts (net of £1,527,942) was recognised in retained earnings or accumulated deficit on 1 January 2019.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2019

6 Cost of sales

	6 months ended	
	30 June 2019	30 June 2018
	£'000	£'000
Depreciation	(70,537)	(59,103)
Maintenance cost	(21,595)	(19,384)
Write down in the value of inventories	(113)	(103)
	<u>(92,245)</u>	<u>(78,590)</u>

7 Finance income

	6 months ended	
	30 June 2019	30 June 2018
	£'000	£'000
Bank interest	242	1,073

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

8 Finance expense

	6 months ended	
	30 June 2019	30 June 2018
	£'000	£'000
Interest and other expenses		
Interest payable to Eversholt UK Rails Limited/Eversholt Investment Group (Luxembourg) Sarl	(23,749)	(23,749)
Profit participating preference share dividend	(128)	(189)
Interest payable on derivatives	(7,746)	(7,835)
Interest payable on bank loans	(40)	-
Interest payable on bonds	(45,339)	(41,010)
Interest payable on lease liabilities	(68)	-
Interest capitalised on contract liabilities	(1,380)	(1,170)
Other finance costs	(242)	(13)
Unwinding of capitalised borrowing costs	(1,172)	(1,000)
	<u>(79,864)</u>	<u>(74,966)</u>

Finance expenses represent interest charged in relation to financial liabilities carried at amortised cost except for interest payable on interest rate swaps which will be carried at fair value through profit and loss (except where there is a hedge relationship).

9 Administrative expense

Administrative expense include the following:

	6 months ended	
	30 June 2019	30 June 2018
	£'000	£'000
Foreign exchange (loss)/gain	(4)	64
Depreciation – other assets	(153)	(161)
Defined contribution pension costs	(393)	(369)
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	(139)	(166)

10 Staff numbers and costs

The average number of persons employed by the Group (including Directors of the Company and of its subsidiaries) during the year was as follows:

	6 months ended	
	30 June 2019	30 June 2018
	Number	Number
Directors	3	3
Operations	63	64
Administration	50	42
	<u>116</u>	<u>109</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2019

10 Staff numbers and costs (continued)

	6 months ended	
	30 June 2019	30 June 2018
	£'000	£'000
Wages and salaries	(6,011)	(5,804)
Social security costs	(759)	(719)
Contributions to defined contribution pension scheme	(393)	(369)
Defined benefit pension scheme service cost	(99)	(98)
	<u>(7,262)</u>	<u>(6,990)</u>

11 Directors' emoluments

Directors' emoluments are borne by Eversholt Rail Limited.

The pension contributions paid by the Group in respect of the highest paid Director for the year were £nil (6 months ended 30 June 2018: £nil).

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

12 Income tax charge

	Note	6 months ended	
		30 June 2019	30 June 2018
		£'000	£'000
Current tax			
UK Corporation tax			
- On current year profit		(4,358)	138
- On prior years' profit		1,746	(33)
		<u>(2,612)</u>	<u>105</u>
Deferred tax			
Origination and reversal of temporary differences	16	(3,107)	(7,718)
Change in tax rates	16	290	1,257
Adjustment in respect of prior year	16	(905)	29
		<u>(3,722)</u>	<u>(6,432)</u>
Income tax charge		<u>(6,334)</u>	<u>(6,327)</u>

The UK tax rate applying to the profits was 19% (2018: 19%).

The following table reconciles the tax credit/(charge) which would apply if all profits had been taxed at 19% (6 months ended 30 June 2018: 19%).

	6 months ended	
	30 June 2019	30 June 2018
	£'000	£'000
Profit before tax	25,465	27,009
Taxation at corporation tax rate 19% (2018: 19%)	(4,838)	(5,132)
Change in tax rates	290	1,257
Prior years adjustment	841	(4)
Non-taxable income	1,998	373
Non-taxable expenses	(4,625)	(2,821)
Income tax charge	<u>(6,334)</u>	<u>(6,327)</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2019

12 Income tax charge (continued)

In addition to the amount charged to the Income statement, the aggregate amount of current and deferred tax relating to components of other comprehensive income, resulted in a £6,754,000 gain recognised in total comprehensive income (6 months ended 30 June 2018: £1,158,000 loss).

The corporation tax rate reduction to 19% from 1 April 2017 was substantively enacted on 18 November 2015. A future 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 at 31 December 2018 has been calculated based on the rate of 17% subsequently enacted at the reporting date. The effect of the change in the rate of 17% is included in the financial statements.

13 Property, plant and equipment

	Other assets £'000	Rolling stock and other railway assets £'000	Total £'000
Cost			
Balance at 1 January 2018	3,747	2,867,406	2,871,153
Additions	203	261,441	261,644
Disposals	(462)	(4,735)	(5,197)
Balance at 31 December 2018	3,488	3,124,112	3,127,600
Additions	-	215,809	215,809
Disposals	(141)	(14,103)	(14,244)
Balance at 30 June 2019	3,347	3,325,818	3,329,165
Depreciation			
Balance at 1 January 2018	2,962	859,028	861,990
Charge for the year	346	152,606	152,952
Disposals	(452)	(4,725)	(5,177)
Balance at 31 December 2018	2,856	1,006,909	1,009,765
Charge for the period	153	70,195	70,348
Disposals	(139)	(11,954)	(12,093)
Balance at 30 June 2019	2,870	1,065,150	1,068,020
Carrying value at 30 June 2019	477	2,260,668	2,261,145
Carrying value at 31 December 2018	632	2,117,203	2,117,835

The cost of tangible fixed assets at 30 June 2019 includes capitalised interest of £44,617,308 (31 December 2018: £40,775,339). The capitalisation rate used is the rate of interest attaching to the Group's borrowings attributable to the acquisition of rolling stock, see note 24 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.

Additions includes non-cash transfers from other comprehensive income of £283,424 (31 December 2018: £2,239,888).

All rolling stock and other railway assets, unless off lease, are subject to operating lease arrangements.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2019

14 Right of use of assets

	Land and buildings £'000	Plant and equipment £'000	Other railway assets £'000	Total £'000
As at 1 January 2019 – recognised on adoption of IFRS 16	2,848	-	2,046	4,894
Additions	75	25	-	100
Depreciation charge	(240)	(4)	(98)	(342)
As at 30 June 2019	2,683	21	1,948	4,652

15 Finance lease receivables

	30 June 2019 £'000	31 December 2018 £'000
Gross investment in finance leases		
Amounts falling due:		
No later than one year	1,381	1,381
Later than one year and no later than five years	5,064	5,525
Later than five years	-	922
Gross investment in finance leases	6,445	7,828
Unearned finance income	(563)	(1,495)
Net investment in finance leases less provisions	5,882	6,333

	30 June 2019 £'000	31 December 2018 £'000
Amortisation of finance lease receivables:		
Amounts falling due:		
No later than one year	963	918
Later than one year and no later than five years	4,919	4,515
Later than five years	-	900
Present value of minimum lease receivables	5,882	6,333
Fair value of amounts receivable under finance leases	5,882	6,333

Aggregate finance lease income receivable in the period ended 30 June 2019/30 June 2018

295	256
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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 5 years' time.

Finance lease receivable balances are secured over the depot 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% (31 December 2018: 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.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2019

16 Deferred tax

The following are the major deferred tax (assets)/liabilities recognised by the Group and movements thereon during the current and prior reporting year:

	Capital Allowances £000's	Provision £000's	Fair value of derivatives £000's	Retirement benefit obligations £000's	Prior year adjustments £000's	Other tax attributes £000's	Total £000's
At 1 January 2018	71,212	(610)	(21,632)	(659)	(534)	-	47,777
Charge/(credit) to income statement	4,770	(65)	2,837	(49)	(19)	(1,741)	5,733
Charge to other comprehensive income	-	-	(84)	84	-	-	-
Effect of change in tax rate:							
- Income statement	(596)	7	(299)	5	-	183	(700)
- Other comprehensive income	-	-	-	(9)	-	-	(9)
At 1 January 2019	75,386	(668)	(19,178)	(628)	(553)	(1,558)	52,801
Charge/(credit) to income statement	3,350	(33)	(210)	-	905	-	4,012
Charge to other comprehensive income	-	-	(6,754)	-	-	-	(6,754)
Effect of change in tax rate:							
- Income statement	(312)	-	22	-	-	-	(290)
- Other comprehensive income	-	-	-	-	-	-	-
Recognition of adoption of IFRS 16 Leases	-	-	-	-	(313)	-	(313)
At 30 June 2019	78,424	(701)	(26,120)	(628)	39	(1,558)	49,456

Deferred tax assets and liabilities are offset where the Group meets the relevant criteria. The following is the analysis of the deferred tax balances:

	30 June 2019 £'000	31 December 2018 £'000
Deferred tax liabilities	78,463	81,990
Deferred tax assets	(29,007)	(29,189)
	49,456	52,801

17 Trade and other receivables

	30 June 2019 £'000	31 December 2018 £'000
Current		
Trade receivables	16,819	2,730
Contract assets	10,022	16,363
Other receivables	1	2,118
	26,842	21,211

18 Lease liabilities

	Land and buildings £'000	Plant and equipment £'000	Other railway assets £'000	Total £'000
As at 1 January 2019 – recognised on adoption of IFRS 16	4,146	-	2,589	6,735
Additions	75	25	-	100
Interest charge	42	-	26	68
Payment	(367)	-	(94)	(461)
As at 30 June 2019	3,896	25	2,521	6,442

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2019

18 Lease liabilities (continued)**Maturity of lease liabilities**

The maturity profile of the carrying amount of Group's lease liabilities at 30 June 2019 was as follows

	30 June 2019 £'000
Current	<u>972</u>
In more than one year but not more than two years	930
In more than two years but not more than five years	2,652
In more than five years	1,888
Non-Current	<u>5,470</u>

19 Derivative financial instruments**30 June 2019**

	Notional Amount £'000	Fair Value Amount £'000	Change in fair value used for calculating hedge ineffectiveness £'000
Non-current assets			
Interest rate swap contracts	291,271	17,837	-
FX forward contract – hedge accounted	<u>58,396</u>	<u>4,655</u>	<u>(16,864)</u>
	<u>349,667</u>	<u>22,492</u>	<u>(16,864)</u>
Non-current liabilities			
Interest rate swap contracts	555,271	(124,728)	-
Interest rate swap contracts – hedge accounted	<u>300,000</u>	<u>(43,124)</u>	<u>(22,812)</u>
	<u>855,271</u>	<u>(167,852)</u>	<u>(22,812)</u>
Total derivative financial instruments	<u>1,204,938</u>	<u>(145,360)</u>	<u>(39,676)</u>

31 December 2018

	Notional Amount £'000	Fair Value Amount £'000	Change in fair value used for calculating hedge ineffectiveness £'000
Non-current assets			
Interest rate swap contracts	46,000	1,779	-
FX forward contract – hedge accounted	<u>193,786</u>	<u>21,519</u>	<u>(6,389)</u>
	<u>239,786</u>	<u>23,298</u>	<u>(6,389)</u>
Non-current liabilities			
Interest rate swap contracts	724,895	(107,923)	-
Interest rate swap contracts – hedge accounted	<u>300,000</u>	<u>(20,312)</u>	<u>3,602</u>
	<u>1,024,895</u>	<u>(128,235)</u>	<u>3,602</u>
Total derivative financial instruments	<u>1,264,681</u>	<u>(104,937)</u>	<u>2,787</u>

The fair value of derivative financial instruments is based on market rates on 30 June 2019.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2019

19 Derivative financial instruments (continued)

19.1 Foreign exchange forward contracts

The Group continues 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.

Foreign exchange forward contracts are expected to mature with the following profile

Maturity	Notional Value £'000
Within 1 year	57,014
1-2 years	1,382

The change in the fair value of the hedged item used as a basis of recognising hedge ineffectiveness is a loss of £17,219,010 (6 months ended 30 June 2018: £4,146,767).

Hedge ineffectiveness can be attributed to differences between actual and expected dates of cashflows relating to EUR denominated capital expenditure. Expected dates are established when capital commitments first arise and they are used in setting the terms of the related foreign exchange contracts.

Amounts affecting the statement of comprehensive income and financial position, are as follows:

Movement in fair value of Derivative financial instruments

Group	Current hedge accounted £'000	Total £'000
Balance as at 1 January 2019	21,519	21,519
Unrealised gain through the income statement		
- Hedge ineffectiveness	355	355
Unrealised loss through other comprehensive income	(17,219)	(17,219)
Balance as at 30 June 2019	4,655	4,655
Balance as at 1 January 2018	27,908	27,908
Unrealised gain through the income statement		
- Hedge ineffectiveness	134	134
Unrealised loss through other comprehensive income	(6,523)	(6,523)
Balance as at 31 December 2018	21,519	21,519

As at 30 June 2019, the designated hedges were deemed to be highly effective and the fair value asset of the foreign exchange forward contracts was £4,654,569 (31 December 2018: £21,518,734).

The hedging reserve contains balances relating to outstanding and terminated derivative contracts, where the hedged future cashflows are still expected to occur.

Cumulative unrealised losses related to contracts terminated during the year ended 31 December 2016 remain in other comprehensive income. During the year a loss of £1,698,215 (6 months ended 30 June 2018: £297,132 loss) 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 2019

19 Derivative financial instruments (continued)

19.1 Foreign exchange forward contracts (continued)

Movement in Hedging reserve

Group

	Current hedge accounted £'000	Terminated hedge accounted £'000	Total £'000
Balance as at 1 January 2019	(19,549)	(2,510)	(22,059)
Unrealised loss through other comprehensive income	17,219	-	17,219
Transfer between categories	264	(264)	-
Release to property, plant & equipment	(1,016)	1,698	682
Income tax on other comprehensive income	(2,799)	(245)	(3,044)
Balance as at 30 June 2019	(5,881)	(1,321)	(7,202)
Balance as at 1 January 2018	(23,052)	(3,303)	(26,355)
Transfer between categories	(153)	153	-
Unrealised loss through other comprehensive income	6,523	-	6,523
Release to property, plant & equipment	(2,149)	802	(1,347)
Income tax on other comprehensive income	(718)	(162)	(880)
Balance as at 31 December 2018	(19,549)	(2,510)	(22,059)

19.2 Interest rate swap contracts

No new Interest rate swaps were entered into in the period ended 30 June 2019. The increase in notional principal in period ended 30 June 2019 reflects contracted notional profiles associated with swaps entered into for the pre-funding of new build rolling stock capital expenditure.

As at 30 June 2019, the Group's hedge accounted swaps were deemed to be highly effective and the fair value liability associated to these interest rate swaps was £43,124,406 (31 December 2018: £20,312,399).

In relation to interest rate swaps that are part of hedge accounting relationships there was a loss of £357,345 due to hedge ineffectiveness (6 months ended 30 June 2018: £123,773 gain). This can be attributed to differences between actual and expected funding profiles.

All of the interest rate swaps have contractual maturities of more than 5 years.

The change in the fair value of the hedged item used as a basis of recognising hedge ineffectiveness is a gain of £22,454,761 (6 months ended 30 June 2018: £10,874,869 loss).

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2019

19 Derivative financial instruments (continued)

19.2 Interest rate swap contracts (continued)

Amounts affecting the statement of comprehensive income and financial position, are as follows:

Movement of fair value in Derivative financial instruments

Group	Not hedge accounted £'000	Current Hedge accounted £'000	Total £'000
Balance as at 1 January 2019	(106,144)	(20,312)	(126,456)
Unrealised loss through the income statement			
- Hedge ineffectiveness	-	(357)	(357)
- Other	(747)	-	(747)
	(747)	(357)	(1,104)
Unrealised loss through other comprehensive income	-	(22,455)	(22,455)
Balance as at 30 June 2019	(106,891)	(43,124)	(150,015)
Balance as at 1 January 2018	(121,263)	(23,914)	(145,177)
Unrealised gain/(loss) through the income statement			
- Hedge ineffectiveness	-	(186)	(186)
- Other	15,119	-	15,119
	15,119	(186)	14,933
Unrealised gain through other comprehensive income	-	3,788	3,788
Balance as at 31 December 2018	(106,144)	(20,312)	(126,456)

Movement in Hedging reserve

Group	Current hedge accounted £'000	Terminated hedge accounted £'000	Total £'000
Balance as at 1 January 2019	16,418	4,943	21,361
Unrealised loss through other comprehensive income	22,455	-	22,455
Release to property, plant & equipment	-	(399)	(399)
Release to the income statement	-	(238)	(238)
Income tax on other comprehensive income	(3,818)	108	(3,710)
Balance as at 30 June 2019	35,055	4,414	39,469
Balance as at 1 January 2018	19,562	5,684	25,246
Unrealised gain through other comprehensive income	(3,788)	-	(3,788)
Release to property, plant & equipment	-	(893)	(893)
Income tax on other comprehensive income	644	152	796
Balance as at 31 December 2018	16,418	4,943	21,361

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2019

19 Derivative financial instruments (continued)

19.2 Interest rate swap contracts (continued)

Cumulative unrealised losses of £4,414,167 (31 December 2018: £4,942,937) relating to Interest rate swaps terminated in prior years remain in the hedging reserve and may be recognised in the Income statement in future years.

At 30 June 2019 the Group held interest rate swaps with a fair value of £106,890,703 liability (31 December 2018: £106,143,690 liability) which were not designated in hedging relationships for accounting purposes.

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 2018: £nil) on the basis that the Group is not in default and is not forecast to be in default or repay bonds early.

20 Cash and cash deposits

Cash and cash deposits are analysed as:

	30 June 2019 £'000	31 December 2018 £'000
Cash	50,753	124,716
Cash demand deposits	-	70,000
Cash and cash equivalents	50,753	194,716
Short-term deposits	95,093	30,000
Cash and cash deposits	145,846	224,716

Within cash and cash equivalents there is a deposit of £2,600,000 (31 December 2018: £2,600,000) which provides security for the Profit Participating Shares issued by a subsidiary. £500,000 of cash and cash equivalents (31 December 2018: £500,000) is restricted cash in line with the terms of an agreement with the security trustee for the Group's secured creditors.

21 Other liabilities

Other liabilities represent amounts charged to customers under current contracts in relation to their share of future maintenance costs after the expiry of the current lease. These amounts will be paid out over the course of future leases, as yet unidentified, future lessees who will undertake the future rolling stock maintenance. Such amounts will never be recognised as revenue in the Group's income statement and can be analysed as follows:

	30 June 2019 £'000	31 December 2018 £'000
Current	12,485	4,485
Non-current	130,110	116,323
	142,595	120,808

22 Trade and other payables

	30 June 2019 £'000	31 December 2018 £'000
Trade payables	1,515	13,244
Other payables	3,224	-
Rentals received in advance	1,002	9,812
Maintenance, acquisition and administrative accruals	24,321	31,247
Interest accrual	231	244
	30,293	54,547

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2019

23 Inventory

	30 June 2019 £'000	31 December 2018 £'000
Rolling stock spares	623	736

Write down in the value of inventories recognised within cost of sales in the Consolidated income statement is an expense amounting to £112,618 (6 months ended 30 June 2018: £103,191). Stock is measured at the lower of cost and net realisable value.

24 Borrowings

	30 June 2019 £'000	31 December 2018 £'000
Current		
Interest accrued	21,360	21,381
Bank loans	75,000	-
Transaction costs	(646)	(646)
	<u>95,714</u>	<u>20,735</u>
Non-current		
Bonds	1,940,000	1,940,000
Other loan	5,944	5,883
Transaction costs	(4,700)	(5,021)
Profit Participating Shares	2,500	2,500
Loan from Eversholt UK Rails Limited	340,562	340,562
	<u>2,284,306</u>	<u>2,283,924</u>
	<u>2,380,020</u>	<u>2,304,659</u>

The Group finances itself using a Common Documents platform. This means that all covenants on the performance and management of the Group apply to all Senior lenders. Failure to comply with these may result in Bank loans and Bonds being repayable on demand. The Group was in compliance with the covenants during period ended 30 June 2019 and earlier periods.

All Senior lenders 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 is puttable.

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

Bond principal amount	Due date	Interest rate Semi-annual coupon
£300m	2020	5.831%
£400m	2025	6.359%
£400m	2021-2035	6.697%
£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	3.529%

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2019

24 Borrowings (continued)

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 Group's rights under this subordinated loan agreement (including its right to repayment) are subject to the terms of the Financing Documents.

Maturity of borrowings

The maturity profile of the carrying amount of the Group's non-current borrowings at 30 June 2019 was as follows:

	30 June 2019 £'000	31 December 2018 £'000
In more than one year but not more than two years	300,000	300,000
In more than two years but not more than five years	85,714	77,312
In more than five years	1,903,292	1,911,633
	2,289,006	2,288,945

25 Reconciliation of assets and liabilities arising from financing activities

	As at 31 December 2018 £'000	Non-cash finance (income)/ expense £'000	Cash Flows receipts/ (payments) £'000	As at 30 June 2019 £'000
Financing activities attributable to:				
Liabilities				
Eversholt Rail (365) Limited	7,474	6	3,338	10,818
Bank Loan	-	-	75,000	75,000
Bank interest accrued	-	40	-	40
Bond interest accrued	20,427	49,120*	(49,364)	20,183
Swap Interest accrued	839	7,746	(7,534)	1,051
Eversholt UK Rails Limited	340,562	23,749	(23,749)	340,562
Other loan	5,883	61**	-	5,944
Profit Participating Shares interest accrued	115	128	(157)	86
	375,300	80,850	(2,466)	453,684
Assets				
Capitalised transaction costs	(5,667)	1,172	(851)	(5,346)

*Bond interest excludes capitalised interest of £3,781,396 (6 months ended 30 June 2018: £7,895,294) transferred to Property, plant and equipment (see note 13).

**£60,573 (31 December 2018: £97,304) relates to capitalised interest transferred to property, plant and equipment (see note 13).

26 Provisions

	30 June 2019 £'000	31 December 2018 £'000
Current		
Overheads	35	35

Provision for overheads relates to dilapidations on office buildings.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2019

26 Provisions (continued)

	Total 30 June 2019 £'000	Total 31 December 2018 £'000
Balance at beginning of the year	35	35
Additions/utilised	-	-
Balance at the end of the year	<u>35</u>	<u>35</u>

27 Share capital

	30 June 2019 £	31 December 2018 £
Authorised		
102 Ordinary shares of £1 each	<u>102</u>	<u>102</u>
Allotted, called up and fully paid		
102 Ordinary shares of £1 each	<u>102</u>	<u>102</u>

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

28 Investment in subsidiary

	30 June 2019 £'000	31 December 2018 £'000
At cost less impairment	<u>-</u>	<u>-</u>

The investment represents the investment in Eversholt Rail (365) Limited.

29 Risk management

The types of risks to which the Group is exposed during the period and the Group's approach toward risk management, are consistent with the risks and approach described in the Group's 2018 consolidated annual financial statements.

Undiscounted cash flows in respect of financial assets and financial liabilities are analysed below by their contractual due date:

Group	Carrying value £'000	Contractual cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
30 June 2019						
Financial assets						
Loans and receivables						
Finance lease receivables	5,882	6,445	-	1,381	5,064	-
Trade and other receivables	26,842	26,842	-	26,842	-	-
Derivative financial instrument	22,492	12,657	-	6,386	4,485	1,786
Cash and cash deposits	<u>145,846</u>	<u>145,846</u>	<u>50,753</u>	<u>95,093</u>	<u>-</u>	<u>-</u>
	<u>201,062</u>	<u>191,790</u>	<u>50,753</u>	<u>129,702</u>	<u>9,549</u>	<u>1,786</u>
Financial liabilities						
Fair value through profit or loss						
- Derivative financial instruments	167,852	187,075	-	19,265	70,997	96,813
Other financial liabilities						
- Trade and other payables	30,293	30,293	-	30,293	-	-
- Borrowings	<u>2,385,366</u>	<u>3,112,206</u>	<u>-</u>	<u>195,255</u>	<u>722,726</u>	<u>2,194,225</u>
	<u>2,583,511</u>	<u>3,329,574</u>	<u>-</u>	<u>244,813</u>	<u>793,723</u>	<u>2,291,038</u>
Total financial instruments	<u>(2,382,449)</u>	<u>(3,137,784)</u>	<u>50,753</u>	<u>(115,111)</u>	<u>(784,174)</u>	<u>(2,289,252)</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2019

29 Risk management (continued)

Group	Carrying value £'000	Contractual cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
31 December 2018						
Financial assets						
Loans and receivables						
Finance lease receivables	6,333	7,828	-	1,381	5,525	922
Trade and other receivables	21,211	21,211	-	21,211	-	-
Derivative financial instrument	23,298	28,118	-	21,787	4,498	1,833
Cash and cash deposits	<u>224,716</u>	<u>224,716</u>	<u>191,616</u>	<u>30,000</u>	<u>-</u>	<u>3,100</u>
	<u>275,558</u>	<u>281,873</u>	<u>191,616</u>	<u>74,379</u>	<u>10,023</u>	<u>5,855</u>
Financial liabilities						
Fair value through profit or loss						
- Derivative financial instruments	128,235	144,452	-	16,932	59,317	68,203
Other financial liabilities						
- Trade and other payables	54,547	54,547	-	54,547	-	-
- Borrowings	<u>2,310,326</u>	<u>2,912,841</u>	<u>13,695</u>	<u>97,155</u>	<u>354,222</u>	<u>2,447,769</u>
	<u>2,493,108</u>	<u>3,111,840</u>	<u>13,695</u>	<u>168,634</u>	<u>413,539</u>	<u>2,515,972</u>
Total financial instruments	<u>(2,217,550)</u>	<u>(2,829,967)</u>	<u>177,921</u>	<u>(94,255)</u>	<u>(403,516)</u>	<u>(2,510,117)</u>

30 Financial instruments

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

Group	Note	Carrying amount £'000	Fair Value Level 1 £'000	Level 2 £'000	Level 3 £'000
30 June 2019					
Financial assets					
Fair value through profit or loss					
- Derivative financial instruments	19	22,492	-	22,492	-
Loans and receivables					
- Finance lease receivables	15	5,882			
- Trade and other receivables	17	26,842			
Cash and cash equivalents	20	<u>145,846</u>			
Total Financial assets		<u>201,062</u>			
Financial liabilities					
Held to maturity financial instruments					
- Derivative financial instruments	19	167,852	-	167,852	-
Non-derivative instruments					
- Publicly traded bonds	24	1,500,000	1,723,335	-	-
- Fixed rate borrowings	24	340,000	-	360,816	-
- Other borrowings	24	545,366			
- Trade and other payables	22	<u>30,293</u>			
Total Financial liabilities		<u>2,583,511</u>			
Total financial instruments		<u>(2,382,449)</u>			

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2019

30 Financial instruments (continued)

Group	Note	Carrying amount	Fair Value		
31 December 2018		£'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets					
Fair value through profit or loss					
- Derivative financial instruments	19	23,298	-	23,298	-
Loans and receivables					
- Finance lease receivables	15	6,333			
- Trade and other receivables	17	21,211			
Cash and cash equivalents	20	224,716			
Total Financial assets		<u>275,558</u>			
Financial liabilities					
Held to maturity financial instruments					
- Derivative financial instruments	19	128,235	-	128,235	-
Non-derivative instruments					
- Publicly traded bonds	24	1,500,000	1,688,189	-	-
- Fixed rate borrowings	24	340,000	-	343,153	-
- Other borrowings	24	470,326			
- Trade and other payables	22	54,547			
Total Financial liabilities		<u>2,493,108</u>			
Total financial instruments		<u>(2,217,550)</u>			

Carrying value is regarded as a reasonable approximation of fair value, when this is not provided in the above table.

31 Retirement benefit obligations

There has been no change in retirement benefit obligations from 31 December 2018.

32 Capital commitments

In respect of capital expenditure:

	30 June 2019 £'000	31 December 2018 £'000
Authorised and contracted	<u>354,111</u>	<u>573,733</u>

33 Dividends

For the period ended 30 June 2019 dividends of were paid £20,950,000 (6 months ended 30 June 2018: £nil).

34 Fair value of financial assets and liabilities

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 2019.

35 Related party transactions

35.1 Identity of related parties

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

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2019

35 Related party transactions (continued)

35.2 Transactions with related parties

As at 30 June 2019 the Group owed £340,561,639 (31 December 2018: £340,561,639) to its immediate parent Eversholt UK Rails Limited, disclosed in note 24. Interest on these loans is disclosed in note 8.

The Group received fees of £3,146,572 (6 months ended 30 June 2018: £5,723,040) during the period for the provision of maintenance procurement and management services to Eversholt Rail (365) Limited. The Group also had management service fees receivable of £327,156 (6 months to 30 June 2018: £357,852) 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 2018: £60,000) to Eversholt UK Rails Limited.

36 Contingent liabilities

There were no contingent liabilities for the Group at 30 June 2019.

37 Subsequent events

The Group's investment in Eversholt Rail (365) Limited was fully impaired at 31 December 2018. Following a deterioration in Class 365's prospects during 2019, a liquidator was appointed to Eversholt Rail (365) Limited on 19 August 2019. Liquidation is expected to be completed within 12 months. In July 2019 the Group terminated its contracts with Eversholt Rail (365) Limited for maintenance procurement and rolling stock modification services. It is not anticipated that the liquidation will result in a material gain or loss to the Group.

Eversholt Rail (365) Limited was subject to a separate financing structure, established prior to privatisation in the 1990s. It was never part of the Security Group, albeit it was a wholly owned subsidiary of Eversholt UK Rails Group. Being ringfenced in this way, its current financial situation has no bearing upon any fellow subsidiary or parent undertaking, other than in relation to intercompany receivables, described more fully in note 35.2.