

Eversholt UK Rails (Holding) Limited (Security Group)

**Unaudited, condensed, consolidated
interim financial statements
for the 6 months ended 30 June 2020**

Registered No: 10783654

Condensed, consolidated interim financial statements
for the 6 months ended 30 June 2020

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Unaudited

Condensed, consolidated income statement

for the 6 months ended 30 June 2020

		6 months ended	
	Note	30 June 2020 £'000	30 June 2019 £'000
Revenue			
Finance lease income	4.1	279	295
Operating lease income	4.1	199,278	173,154
Maintenance income	4.1	21,314	29,607
Other income	4.1	14,463	7,981
Total revenue		235,334	211,037
Cost of sales	5	(103,566)	(92,245)
Gross profit		131,768	118,792
Finance income	6	37	242
Finance expense	7	(85,330)	(79,864)
Net fair value loss on derivative financial instruments	18	(4,706)	(749)
Administrative expense	8	(9,815)	(10,960)
Loss on disposal of property, plant and equipment		-	(1,996)
Profit before tax		31,954	25,465
Income tax charge	11	(8,980)	(6,334)
Profit for the period		22,974	19,131

There were no discontinued or discontinuing operations during the period.

The notes on pages 7 to 28 form an integral part of these financial statements.

Condensed, consolidated statement of comprehensive income

for the 6 months ended 30 June 2020

	Note	6 months ended	
		30 June 2020 £'000	30 June 2019 £'000
Profit for the period		22,974	19,131
Other comprehensive (expense)/income			
Effective portion of changes in fair value of cash flow hedges	18	(55,541)	(39,674)
Realised loss on cash flow hedges to property, plant and equipment	18	(954)	(283)
Revaluation of EUR cash deposits through Other comprehensive income	18	(2,270)	-
Realised gain on cash flow hedges to the income statement	18	556	238
Tax rate change	15	1,370	-
Tax credit on changes in effective portion of changes in fair value of cash flow hedges	15	11,060	6,754
		(45,779)	(32,965)
Total comprehensive expense for the period		(22,805)	(13,834)

Effective portion of changes in fair value cash flow hedges, together with any related tax effects, may be reclassified to the Income statement in future years.

Condensed, consolidated statement of financial position
as at 30 June 2020

		30 June 2020 £'000	31 December 2019 £'000
Assets	Note		
Non-current assets			
Property, plant and equipment	12	2,310,079	2,343,688
Right-of-use assets	13	3,957	4,304
Finance lease receivables	14	3,928	4,419
Derivative financial instruments	18	57,658	21,821
Deferred tax	15	48,968	33,822
		2,424,590	2,408,054
Current assets			
Inventory	22	407	511
Finance lease receivables	14	998	997
Contract assets	4.2	2,622	4,568
Trade and other receivables	16	7,236	10,710
Derivative financial instruments	18	367	-
Cash and cash equivalents	19	398,223	71,963
		409,853	88,749
Total assets		2,834,443	2,496,803
Liabilities and equity			
Current liabilities			
Trade and other payables	21	45,960	55,633
Lease liabilities	17	949	820
Current tax		5,546	16,014
Borrowings	23	344,584	407,661
Derivative financial instruments	18	-	744
Other liabilities	20	23,996	5,624
Provisions	25	165	40
		421,200	486,536
Non-current liabilities			
Retirement benefit obligation		6,517	6,517
Borrowings	23	2,311,700	1,984,671
Deferred tax	15	80,664	75,364
Contract liabilities	4.2	54,785	23,996
Other liabilities	20	90,972	124,740
Derivative financial instruments	18	268,408	171,213
Lease liabilities	17	4,562	5,165
Provisions	25	-	161
		2,817,608	2,391,827
Total liabilities		3,238,808	2,878,363
Equity			
Share capital	26	-	-
Other reserve		13,672	13,672
Accumulated deficit		(320,636)	(343,740)
Hedging reserve	18	(97,401)	(51,492)
Total equity		(404,365)	(381,560)
Total equity and liabilities		2,834,443	2,496,803

Condensed, consolidated statement of financial position (continued)
as at 30 June 2020

The notes on pages 7 to 28 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 2020. They were signed on its behalf by:



A J Wesson

Director

Company registration number: 10783654

Unaudited

Condensed, consolidated statement of cash flows
for the 6 months ended 30 June 2020

	Note	6 months ended 30 June 2020 £'000	6 months ended 30 June 2019 £'000
Cash flow from operating activities			
Profit before tax		31,954	25,465
Adjustments for:			
- Depreciation	5,8	86,752	70,690
- Write down in the value of inventory	22	104	113
- Fair value adjustment on derivative financial instruments	18	4,706	749
- Unwinding of capitalised finance charges	7	1,133	1,172
- Loss on disposal of property, plant and equipment	13	-	1,996
- Gain on refinancing	4.1	(11,354)	-
- Interest income	6	(37)	(242)
- Interest on net borrowings	7	84,197	78,692
Operating cash flow before changes in working capital		197,455	178,635
Decrease in finance lease receivables	14	490	451
Decrease/(increase) in trade and other receivables and contract assets	16,4.2	5,420	(5,631)
Increase in contract and other liabilities and provisions	4,20,25	14,257	4,561
Decrease in trade and other payables	21	(10,373)	(24,254)
Cash generated by operating activities		207,249	153,762
Taxation (paid)/received		(16,864)	3,949
Interest received	6	37	242
Net cash generated by operating activities		190,422	157,953
Cash flow from investing activities			
Acquisition of property, plant and equipment		(53,636)	(212,250)
Proceeds from sale of property, plant and equipment	12	-	155
Investment in short-term bank deposits		-	(65,093)
Net cash utilised in investing activities		(53,636)	(277,188)
Cash flow from financing activities			
External funds raised	24	340,347	-
External funds (repaid)/raised	24	(85,000)	75,000
Interest paid on bank loans	24	(220)	-
Interest paid on bonds	24	(49,917)	(49,364)
Interest paid on loan from Eversholt UK Rails Limited	24	-	(23,749)
Profit Participating Shares interest paid	24	(130)	(157)
Interest paid on swaps	24	(10,363)	(7,534)
Other finance costs paid	24	(2,440)	(851)
Repayment of lease liability	17	(533)	(461)
Dividends paid	32	-	(20,950)
Movement in loan from Eversholt Rail (365) Limited	24	-	3,338
Net cash generated/(utilised) in financing activities		191,744	(24,728)
Net increase/(decrease) in cash and cash equivalents		328,530	(143,963)
Cash and cash equivalents at the beginning of the period		71,963	194,716
Net Foreign exchange difference	18	(2,270)	-
Cash and cash equivalents at the end of the period	19	398,223	50,753

Condensed, consolidated statement of changes in equity
for the 6 months ended 30 June 2020

	Note	Share capital £'000	Other reserve £'000	Hedging reserve £'000	Accumulated deficit £'000	Total equity £'000
Balance at 31 December 2018		-	13,672	698	(320,904)	(306,534)
Adjustment in respect of impact of adoption of IFRS 16 Leases		-	-	-	(1,841)	(1,841)
Income tax on adjustment in respect of impact of adoption of IFRS 16 Leases		-	-	-	313	313
Balance at 1 January 2019		-	13,672	698	(322,432)	(308,062)
Profit for the period		-	-	-	19,131	19,131
Effective portion of changes in fair value of cash flow hedges	18	-	-	(39,674)	-	(39,674)
Realised gain on cash flow hedges to property, plant and equipment	18	-	-	(283)	-	(283)
Realised gain on cash flow hedges to the income statement	18	-	-	238	-	238
Income tax credit on other comprehensive income	15	-	-	6,754	-	6,754
Total comprehensive (expense)/income		-	-	(32,965)	19,131	(13,834)
Dividend paid		-	-	-	(20,950)	(20,950)
Balance at 30 June 2019		-	13,672	(32,267)	(324,251)	(342,846)
Balance at 1 January 2020		-	13,672	(51,492)	(343,740)	(381,560)
Profit for the period		-	-	-	22,974	22,974
Effective portion of changes in fair value of cash flow hedges	18	-	-	(55,541)	-	(55,541)
Revaluation of EUR cash deposits through other comprehensive income	18	-	-	(2,270)	-	(2,270)
Realised loss on cash flow hedges to property, plant and equipment	18	-	-	(954)	-	(954)
Realised gain on cash flow hedges to the income statement	18	-	-	556	-	556
Income tax credit on other comprehensive income	18	-	-	12,300	-	12,300
Effect of deferred tax rate change on Actuarial loss of defined benefit scheme		-	-	-	130	130
Total comprehensive (expense)/income		-	-	(45,909)	23,104	(22,805)
Balance at 30 June 2020		-	13,672	(97,401)	(320,636)	(404,365)

Dividends of £nil per share were paid during the period (6 months ended 30 June 2019: £205,392 per share).

Notes to the condensed, consolidated interim financial statements for the 6 months ended 30 June 2020

1 General information

Eversholt UK Rails (Holding) Limited (the "Company") is a private company incorporated in England and Wales and is limited by shares (see note 26). 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.

In accordance with those Financing Documents, the Group's interest in Eversholt Rail (365) Limited has not been consolidated for periods prior to 19 August 2019 but stated at cost less impairment losses, where appropriate. Eversholt Rail (365) Limited was placed into liquidation on 19 August 2019 - and has been derecognised as an investment from that date.

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 the historical treatment of Eversholt Rail (365) Limited, entities that are controlled by Eversholt UK Rails (Holding) Limited are consolidated until the date that control ceases. All intercompany 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 2019. 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 2019.

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.

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

for the 6 months ended 30 June 2020

2 Basis of preparation (continued)

2.3 Going concern (continued)

In reaching this conclusion, the Directors have considered the extraordinary circumstances brought about by the COVID-19 crisis and the potential impacts upon the Group and its ability to meet commitments in the foreseeable future. The Group is exposed to the impacts of COVID-19 through its relationships with fellow group undertakings, which are ultimately dependent on the viability of the Group's rolling stock leasing business. One area of potential impact upon the Group's business is a threat to the viability of train operators due to long term passenger volume decline. This is largely mitigated in the short term by the UK Government's Emergency Measures Agreements, through which support is provided to franchised passenger service operators for a period of six months. The Group's current rolling stock procurement, maintenance and enhancement plans may be subject to delays caused by COVID-19, however this is not considered material in the context of the business. In common with UK businesses generally, the Group's business is also exposed to other risks including access to capital markets, impacts on supply chains, employee health and access to the workplace. The Group has introduced governance processes to closely monitor the impacts and where possible, mitigation has been put in place to limit the impact on the Group. The Group has access to undrawn borrowing facilities which could be utilised in the event of a prolonged severe period of disruption.

At this stage, the Directors do not believe that there are any material impacts on the Group, nor changes to risk management as described in note 28. The Directors consider the key critical judgement in reaching this conclusion to be the duration of restrictions on travel in response to COVID-19 and the UK Government's continued support to the rail industry. This conclusion reflects the nature of the Group's activities and the way in which cash is managed across the Group. Nevertheless, the Directors continue to keep the pandemic under review.

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 2019.

4 Revenue

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 2020	30 June 2019
	£'000	£'000
Operating lease rental income	199,278	173,154
Finance lease rental income	279	295
Revenue from contracts with customers		
- Maintenance income	21,314	29,607
- Other income	14,463	7,981
	<u>235,334</u>	<u>211,037</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 revenue 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 2020 is set out below.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2020

4 Revenue (continued)

4.1 Revenue information (continued)

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

	30 June 2020 £'000	31 December 2019 £'000
Within 1 year	82,194	62,394
1-5 years	139,813	87,606
	<u>222,007</u>	<u>150,000</u>

Other income

Other income primarily relates to following:

1. the provision in the UK of asset management services.
2. in June 2020, the Company refinanced existing debt through a new bond issue (see note 23). This is accounted for as a debt modification and not as extinguishment of the original debt and issue of a new bond under IFRS 9 Financial instruments. Accordingly, the carrying value of the existing debt is restated to equal the present value of modified cashflows, giving rise to a gain of £11,354,000.

The transaction price allocated to (partially) unsatisfied performance obligations at 30 June 2020 is set out below.

Performance obligations are expected to be fulfilled in relation to customers in the following periods:

	30 June 2020 £'000	31 December 2019 £'000
Within 1 year	3,255	3,171
1-2 years	3,255	3,171
2-5 years	10,764	10,513
> 5 years	34,090	34,883
	<u>51,364</u>	<u>51,738</u>

4.2 Contract balances

The following table provides information about contract assets and contract liabilities from contracts with customers.

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

	30 June 2020 £'000	31 December 2019 £'000
Contract assets	2,622	4,568
Contract liabilities	54,785	23,996
Trade receivables	7,236	8,236

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 obligations are satisfied.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2020

4 Revenue (continued)

4.2 Contract balances (continued)

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

The amount of £23,996,000 (2019: £24,219,000) recognised in contract liabilities at the beginning of the year has substantially been recognised as revenue in the 6 months ended 30 June 2020.

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 Cost of sales

	6 months ended	
	30 June 2020	30 June 2019
	£'000	£'000
Depreciation	(86,384)	(70,537)
Maintenance cost	(17,078)	(21,595)
Write down in the value of inventories	(104)	(113)
	<u>(103,566)</u>	<u>(92,245)</u>

6 Finance income

	6 months ended	
	30 June 2020	30 June 2019
	£'000	£'000
Bank interest	<u>37</u>	<u>242</u>

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

7 Finance expense

	6 months ended	
	30 June 2020	30 June 2019
	£'000	£'000
Interest and other expenses		
Interest payable to Eversholt UK Rails Limited/Eversholt Investment Group (Luxembourg) Sarl	(23,815)	(23,749)
Profit participating preference share dividend	(96)	(128)
Interest payable on bank loans	(175)	(40)
Interest payable on bonds	(48,997)	(45,339)
Other finance costs	<u>(1,100)</u>	<u>(1,384)</u>
Finance expense in relation to financial liabilities carried at amortised cost	(74,183)	(70,640)
Transfer from hedging reserve	(556)	(238)
Interest payable on derivatives	(9,399)	(7,746)
Interest payable on lease liabilities	(59)	(68)
Unwinding of capitalised borrowing costs	<u>(1,133)</u>	<u>(1,172)</u>
Total	<u>(85,330)</u>	<u>(79,864)</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2020

8 Administrative expense

Administrative expense includes:

	6 months ended	
	30 June 2020	30 June 2019
	£'000	£'000
Foreign exchange gain/(loss)	10	(4)
Depreciation – other assets	(118)	(153)
Depreciation – right-of-use assets	(250)	-
Defined contribution pension costs	(385)	(393)
Fees payable to the Company's auditor for the audit of the Group's annual financial statements	(203)	(139)
Fees payable to the Company's auditor for non-audit assurance services	(45)	-

Non-audit services provided by the auditor comprise fees in relation to a bond prospectus comfort letter.

9 Staff numbers and costs

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

	6 months ended	
	30 June 2020	30 June 2019
	£'000	£'000
Directors	5	3
Operations	50	63
Administration	53	50
	108	116

The aggregate payroll costs of these persons were as follows:

	6 months ended	
	30 June 2020	30 June 2019
	£'000	£'000
Wages and salaries	(5,354)	(6,011)
Social security costs	(711)	(759)
Contributions to defined contribution pension scheme	(385)	(393)
Defined benefit pension scheme service cost	(102)	(99)
	(6,552)	(7,262)

10 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 period were £nil (6 months ended 30 June 2019: £nil).

None of the Directors has any share options or interests in the share capital of the Company.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2020

11 Income tax charge

	<i>Note</i>	6 months ended	
		30 June 2020	30 June 2019
		£'000	£'000
Current tax			
UK Corporation tax			
- On current period profit		(12,867)	(4,358)
- On prior years' profit		6,471	1,746
		<u>(6,396)</u>	<u>(2,612)</u>
Deferred tax			
Origination and reversal of temporary differences	15	3,692	(3,107)
Change in tax rates	15	(6,276)	290
Adjustment in respect of prior year	15	-	(905)
		<u>(2,584)</u>	<u>(3,722)</u>
Income tax charge		<u>(8,980)</u>	<u>(6,334)</u>

The UK tax rate applied to the profits in the period was 19% (2019: 19%).

Corporation and deferred taxes have been calculated by reference to the current tax rate of 19%. A reduction to 17% was due to take effect from April 2020 and this had been reflected in arriving at deferred tax balances at 31 December 2019. However, the reduction was reversed by the UK Government and the change substantively enacted on 17 March 2020. This has led to the tax credit attributable to "change in tax rates" shown in the above analysis.

The following table reconciles the tax charge which would apply if all profits had been taxed at 19% (6 months ended 30 June 2019: 19%).

	6 months ended	
	30 June 2020	30 June 2019
	£'000	£'000
Profit before tax	31,954	25,465
Taxation at corporation tax rate 19% (2019: 19%)	(6,071)	(4,838)
Change in tax rates	(6,276)	290
Prior year adjustment	6,471	841
Non-taxable income	1,485	1,998
Non-taxable expenses	(4,589)	(4,625)
Income tax charge	<u>(8,980)</u>	<u>(6,334)</u>

In addition to the amount charged to the Income statement, the aggregate amount of current and deferred tax relating to components of other comprehensive income, resulted in a gain of £12,431,000 recognised in total comprehensive income (6 months ended 30 June 2019: £6,754,000 gain).

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2020

12 Property, plant and equipment

	Other assets £'000	Rolling stock and other railway assets £'000	Total £'000
Cost			
Balance at 1 January 2019	3,488	3,124,112	3,127,600
Additions	-	404,145	404,145
Disposals	(141)	(51,327)	(51,468)
Balance at 31 December 2019	3,347	3,476,930	3,480,277
Additions	228	52,568	52,796
Disposals	-	(899,890)	(899,890)
Balance at 30 June 2020	3,575	2,629,608	2,633,183
Depreciation			
Balance at 1 January 2019	2,856	1,006,909	1,009,765
Charge for the year	280	175,860	176,140
Disposals	(139)	(49,177)	(49,316)
Balance at 31 December 2019	2,997	1,133,592	1,136,589
Charge for the period	118	86,287	86,405
Disposals	-	(899,890)	(899,890)
Balance at 30 June 2020	3,115	319,989	323,104
Carrying value at 30 June 2020	460	2,309,619	2,310,079
Carrying value at 31 December 2019	350	2,343,338	2,343,688

The cost of tangible fixed assets at 30 June 2020 includes capitalised interest of £45,154,000 (31 December 2019: £45,097,000). The capitalisation rate used is the rate of interest attaching to the Group's borrowings attributable to the acquisition of rolling stock, see note 23 for more details. Cost includes rolling stock in the course of construction of £487,682,000 (2019: £549,646,000).

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 £954,000 (credit) (31 December 2019: £10,816,000 credit) and loan capitalised interest of £57,000 (31 December 2019: £116,000).

Substantially 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 2020

13 Right-of-use assets

	Land and buildings £'000	Plant and equipment £'000	Other railway assets £'000	Total £'000
As at 1 January 2020	2,436	17	1,851	4,304
Depreciation charge	(246)	(4)	(97)	(347)
As at 30 June 2020	2,190	13	1,754	3,957

	Land and buildings £'000	Plant and equipment £'000	Other railway assets £'000	Total £'000
As at 1 January 2019	2,848	-	2,045	4,893
Additions	75	25	-	100
Depreciation charge	(487)	(8)	(194)	(689)
As at 31 December 2019	2,436	17	1,851	4,304

14 Finance lease receivables

	30 June 2020 £'000	31 December 2019 £'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	4,374	5,065
Later than five years	-	-
Gross investment in finance leases	5,755	6,446
Unearned finance income	(829)	(1,030)
Net investment in finance leases less provisions	4,926	5,416

	30 June 2020 £'000	31 December 2019 £'000
Amortisation of finance lease receivables:		
Amounts falling due:		
No later than one year	998	997
Later than one year and no later than five years	3,928	4,419
Later than five years	-	-
Present value of minimum lease receivables	4,926	5,416

Aggregate finance lease income receivable in the period
ended 30 June 2020/30 June 2019

279	295
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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 fair values are not considered to be significantly different from the carrying value.

The Group has entered into a finance leasing arrangement for one of its depots. This lease is due to expire in 4.5 years' time.

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

for the 6 months ended 30 June 2020

14 Finance lease receivables (continued)

Finance lease receivable balances are secured over the depot. 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 2019: 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.

15 Deferred tax

The following is the analysis of the deferred tax balances:

	30 June 2020 £'000	31 December 2019 £'000
Deferred tax liabilities	80,664	75,364
Deferred tax assets	(48,968)	(33,822)
	31,696	41,542

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

	Capital Allowances £'000	Provision £'000	Fair value of derivatives £'000	Retirement benefit obligations £'000	Prior year adjustments £'000	Other tax attributes £'000	Total £'000
At 1 January 2019	80,778	(659)	(19,178)	(628)	(5,954)	(1,558)	52,801
(Credit)/charge to income statement	(4,042)	329	984	(47)	4,340	46	1,610
Charge to other comprehensive income	-	-	(10,689)	(490)	-	-	(11,179)
Effect of change in tax rate:							
- Income statement	381	(34)	(103)	5	(457)	(5)	(213)
- Other comprehensive income	-	-	-	52	-	-	52
Adjustment in respect of IFRS 16	-	-	-	-	-	(313)	(313)
Prior year adjustment	(1,753)	(57)	-	-	(964)	1,558	(1,216)
At 1 January 2020	75,364	(421)	(28,986)	(1,108)	(3,035)	(272)	41,542
(Credit)/charge to income statement	(2,800)	-	(895)	(20)	-	23	(3,692)
Credit to other comprehensive income	-	-	(11,060)	-	-	-	(11,060)
Effect of change in tax rate:							
- Income statement	8,884	(50)	(2,168)	-	(357)	(33)	6,276
- Other comprehensive income	-	-	(1,240)	(130)	-	-	(1,370)
Prior year adjustment	-	-	-	-	-	-	-
At 30 June 2020	81,448	(471)	(44,349)	(1,258)	(3,392)	(282)	31,696

In assessing the recoverability of deferred tax assets, the Group considers the extent to which it is probable that there will be sufficient taxable profits in the future to allow the benefit of part or all of the deferred tax asset to be utilised. In assessing this, the Group considers internal profit projections and budgets and related tax impacts, as well as the amount and timing of the reversal of timing differences giving rise to deferred tax liabilities at the balance sheet date.

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for the 6 months ended 30 June 2020

16 Trade and other receivables

	30 June 2020 £'000	31 December 2019 £'000
Trade receivables	7,236	8,236
Other receivables	-	2,474
	<u>7,236</u>	<u>10,710</u>

17 Lease liabilities

	Land and buildings £'000	Plant and equipment £'000	Other railway assets £'000	Total £'000
As at 1 January 2020	3,576	18	2,391	5,985
Additions	-	-	-	-
Interest charge	35	-	24	59
Payment	(393)	-	(140)	(533)
As at 30 June 2020	<u>3,218</u>	<u>18</u>	<u>2,275</u>	<u>5,511</u>

	Land and buildings £'000	Plant and equipment £'000	Other railway assets £'000	Total £'000
As at 1 January 2019	4,146	-	2,590	6,736
Additions	75	25	-	100
Interest charge	81	-	50	131
Payments	(726)	(7)	(249)	(982)
As at 31 December 2019	<u>3,576</u>	<u>18</u>	<u>2,391</u>	<u>5,985</u>

Total lease liabilities can be analysed as follows:

	30 June 2020 £'000	31 December 2019 £'000
Current	949	820
Non-current	4,562	5,165
	<u>5,511</u>	<u>5,985</u>

Maturity of lease liabilities

The maturity profile of undiscounted lease liabilities at 30 June 2020 was as follows:

	30 June 2020 £'000	31 December 2019 £'000
Current	1,055	937
In more than one year but not more than two years	839	873
In more than two years but not more than five years	2,748	3,151
In more than five years	1,351	1,598
Non Current	<u>4,938</u>	<u>5,622</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2020

18 Derivative financial instruments

The fair values of the derivative financial instruments are as follows:

30 June 2020	Notional Amount	Fair Value Amount	Change in fair value used for calculating hedge ineffectiveness £'000
	£'000	£'000	
Current assets			
Interest rate swap contracts	300,000	229	-
FX forward contracts – hedge accounted	1,382	138	596
	<u>301,382</u>	<u>367</u>	<u>596</u>
Non-current assets			
Interest rate swap contracts	294,234	57,658	-
	<u>595,616</u>	<u>58,025</u>	<u>596</u>
Non-current liabilities			
Interest rate swap contracts	541,734	(160,795)	-
Interest rate swap contracts – hedge accounted	600,000	(107,613)	(57,997)
	<u>1,141,734</u>	<u>(268,408)</u>	<u>(57,997)</u>
Total derivative financial instruments	<u>1,737,350</u>	<u>(210,383)</u>	<u>(57,401)</u>

31 December 2019	Notional Amount	Fair Value Amount	Change in fair value used for calculating hedge ineffectiveness £'000
	£'000	£'000	
Non-current assets			
Interest rate swap contracts	292,010	21,821	-
Current liabilities			
FX forward contracts - hedge accounted	10,706	(458)	(21,977)
Interest rate swap contracts	300,000	(286)	-
	<u>310,706</u>	<u>(744)</u>	<u>(21,977)</u>
Non-current liabilities			
Interest rate swap contracts	539,507	(121,597)	-
Interest rate swap contracts – hedge accounted	300,000	(49,616)	(29,304)
	<u>839,507</u>	<u>(171,213)</u>	<u>(29,304)</u>
Total Liabilities	<u>1,150,213</u>	<u>(171,957)</u>	<u>(51,281)</u>
Total derivative financial instruments	<u>1,442,223</u>	<u>(150,136)</u>	<u>(51,281)</u>

The fair value of derivative financial instruments is based on market rates on 30 June 2020.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2020

18 Derivative financial instruments (continued)

Movement in fair value of Derivative financial instruments

	Foreign exchange forward contracts Current hedge accounted £'000	Interest rate swap contracts Not hedge accounted £'000	Current hedge accounted £'000	Total £'000
Balance as at 1 January 2020	(458)	(100,062)	(49,616)	(150,136)
Unrealised gain/(loss) through the income statement				
- Hedge ineffectiveness	2	-	(1,834)	(1,832)
- Other	-	(2,874)	-	(2,874)
	2	(2,874)	(1,834)	(4,706)
Unrealised gain/(loss) through other comprehensive income	594	-	(56,135)	(55,541)
Balance as at 30 June 2020	138	(102,936)	(107,585)	(210,383)
Balance as at 1 January 2019	21,519	(106,144)	(20,312)	(104,937)
Unrealised gain/(loss) through the income statement				
- Hedge ineffectiveness	467	-	(954)	(487)
- Other	-	6,082	-	6,082
	467	6,082	(954)	5,595
Unrealised loss through other comprehensive income	(22,444)	-	(28,350)	(50,794)
Balance as at 31 December 2019	(458)	(100,062)	(49,616)	(150,136)

Movement in Hedging reserve

	Foreign exchange forward contracts		Interest rate swap contracts		Total
	Current hedge accounted £'000	Terminated hedge accounted £'000	Current hedge accounted £'000	Terminated hedge accounted £'000	£'000
Balance as at 1 January 2020	7,598	72	39,948	3,874	51,492
Unrealised (gain)/loss through other comprehensive income	(594)	-	56,135	-	55,541
Revaluation of EUR cash deposits through other comprehensive income	2,270	-	-	-	2,270
Effective portion of changes in fair value of cash flow hedges	1,676	-	56,135	-	57,811
Release to property, plant and equipment	729	266	-	(41)	954
Transfer between categories	-	-	(98,500)	98,500	-
Release to income statement	-	-	-	(556)	(556)
Income tax on other comprehensive income	(640)	(52)	7,087	(18,695)	(12,300)
Balance as at 30 June 2020	9,363	286	4,670	83,082	97,401

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

for the 6 months ended 30 June 2020

18 Derivative financial instruments (continued)

Movement in Hedging reserve (continued)

	Foreign exchange forward contracts		Interest rate swap contracts		Total
	Current hedge accounted	Terminated hedge accounted	Current hedge accounted	Terminated hedge accounted	
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2019	(19,549)	(2,510)	16,418	4,943	(698)
Unrealised loss through other comprehensive income	22,444	-	28,350	-	50,794
Revaluation of EUR cash deposits through other comprehensive income	1,979	-	-	-	1,979
Effective portion of changes in fair value of cash flow hedges	24,423	-	28,350	-	52,773
Release to property, plant and equipment	8,020	3,375	-	(579)	10,816
Transfer between categories	264	(264)	-	-	-
Release to income statement	-	-	-	(710)	(710)
Income tax on other comprehensive income	(5,560)	(529)	(4,820)	220	(10,689)
Balance as at 31 December 2019	7,598	72	39,948	3,874	51,492

18.1 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	30 June 2020	31 December 2019
	Notional value	Notional value
	£'000	£'000
Within 1 year	1,382	10,706

As at 30 June 2020, the designated hedges were deemed to be highly effective and the fair value of the foreign exchange forward contracts was £138,000 asset (31 December 2019: £458,000 liability).

Hedge ineffectiveness of £2,000 gain (6 months ended 30 June 2019: £355,000 gain) comprised the difference between the change in the fair value of the:

- hedged item used as a basis of recognising hedge ineffectiveness of £594,000 loss (6 months ended 30 June 2019: £17,219,000 gain); and
- foreign exchange forward contracts used as a basis of recognising hedge ineffectiveness of £596,000 gain (6 months ended 30 June 2019: £16,864,000 loss).

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.

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

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

for the 6 months ended 30 June 2020

18 Derivative financial instruments (continued)

Cumulative unrealised losses related to contracts terminated during the year ended 31 December 2016 remain in other comprehensive income. During the period a loss of £995,000 (6 months ended 30 June 2019: £682,000 gain) 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.

When foreign exchange forward contracts have settled before the committed EUR denominated capital expenditure has been incurred, related EUR cash deposits continue to hedge related commitments. Being part of a hedge accounting relationship and equal in principal to the amount of commitments, exchange differences of £2,270,000 (6 months ended 30 June 2019: £nil) arising on translating the EUR cash deposits to sterling, are wholly recognised in the Hedging reserve. These are included in the Movement in Hedging reserve table above under the heading of "Revaluation of EUR cash deposits through Other comprehensive income".

18.2 Interest rate swap contracts

The hedging instruments are expected to mature with the following profile:

Maturity	30 June 2020	31 December 2019
	Notional value £'000	Notional value £'000
Within 1 year	300,000	300,000
1 to 5 years	-	-
More than 5 years	1,435,968	1,131,517

At 30 June 2020, the Group held interest rate swaps with a fair value liability of £102,908,000 (31 December 2019: £100,062,000 liability) which were not designated in hedging relationships for accounting purposes.

The increase in the notional amount of hedge accounted interest rate swap contracts in the period reflects derivatives that were entered into to offset existing hedges of future interest costs that have been mitigated through the new bond issue in June 2020 (Note 23).

As at 30 June 2020, the Group's hedge accounted swaps were deemed to be effective and the fair value liability associated to these interest rate swaps was £107,585,000 (31 December 2019: £49,616,000).

Hedge ineffectiveness loss of £1,834,000 (6 months ended 30 June 2019: £357,000 loss) comprised the difference between the change in the fair value of the:

- hedged item used as a basis of recognising hedge ineffectiveness gain of £56,163,000 (6 months ended 30 June 2019: £22,455,000 gain); and
- interest rate swaps used as a basis of recognising hedge ineffectiveness loss of £57,997,000 (6 months ended 30 June 2019: £22,812,000 loss).

Hedge ineffectiveness can be attributed to where actual funding profiles were different to those originally expected.

Cumulative unrealised losses of £83,082,000 (31 December 2019: £3,874,000) 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. The current period transfer relates to the termination of a hedge relationship in June 2020. The hedged item, being forecast fixed interest costs, is still expected to arise and therefore related amounts have been reclassified accordingly. The gross amount transferred is £98,500,000 and related deferred tax is £18,700,000. The amounts will be reclassified to the Income statement when actual interest costs are incurred.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2020

18 Derivative financial instruments (continued)

18.2 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 2019: £nil) on the basis that the Group is not in default and is not forecast to be in default or repay bonds early.

18.3 Replacement of LIBOR as an interest rate benchmark

It is anticipated that LIBOR will be replaced or discontinued after the end of 2021, as part of global financial regulators' project to reform interest rate benchmarks. The Group will therefore re-negotiate and/or otherwise amend to accommodate such change in benchmarks, where related instruments mature after 2021.

19 Cash and cash equivalents

	30 June 2020 £'000	31 December 2019 £'000
Cash and cash equivalents	<u>398,223</u>	<u>71,963</u>

Within cash and cash equivalents there is a deposit of £2,600,000 (31 December 2019: £2,600,000) which provides security for the Profit Participating Shares issued by a subsidiary. £500,000 of cash and cash equivalents (31 December 2019: £500,000) is restricted cash in line with the terms of an agreement with the security trustee for the Group's secured creditors.

20 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 2020 £'000	31 December 2019 £'000
Current	23,996	5,624
Non-current	<u>90,972</u>	<u>124,740</u>
	<u>114,968</u>	<u>130,364</u>

Notes to the condensed, consolidated interim financial statements (continued)
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21 Trade and other payables

	30 June 2020 £'000	31 December 2019 £'000
Trade payables	15,456	13,091
Other payables	12,246	-
Rentals received in advance	169	14,125
Maintenance, acquisition and administrative accruals	17,856	28,196
Other accruals	233	221
	<u>45,960</u>	<u>55,633</u>

22 Inventory

	30 June 2020 £'000	31 December 2019 £'000
Rolling stock spares	<u>407</u>	<u>511</u>

Write down in the value of inventories recognised within cost of sales during the period was £104,000 (6 months ended 30 June 2019: £113,000). Stock is measured at the lower of cost and net realisable value.

23 Borrowings

	30 June 2020 £'000	31 December 2019 £'000
Current		
Interest accrued	45,200	23,291
Bonds	300,000	300,000
Bank loans	-	85,000
Transaction costs	(616)	(630)
	<u>344,584</u>	<u>407,661</u>
Non-current		
Bonds	1,968,695	1,640,000
Other loan	6,056	5,999
Transaction costs	(6,113)	(4,390)
Profit Participating Shares	2,500	2,500
Loan from Eversholt UK Rails Limited	340,562	340,562
	<u>2,311,700</u>	<u>1,984,671</u>
	<u>2,656,284</u>	<u>2,392,332</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 2020 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.

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

for the 6 months ended 30 June 2020

23 Borrowings (continued)

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%
£271m*	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%
£500m*	2021-2040	2.742%

None of the Bonds are puttable.

*The above table includes new bond issuance of £500m in June 2020, of which £159.7m was used to repay £128.7m of the £400m bonds otherwise maturing in 2025 ("2025 Debt"). The bond principal amount therefore reduced to £271.3m as at 30 June 2020.

The part repayment has been accounted for as a debt modification and not as an extinguishment of the original debt and issue of new debt. This is on the basis that the terms of the debt have not substantially changed, which resulted in an overall gain of £11.4m as outlined in note 4.1.

In accordance with IFRS9, the carrying value of that portion of the new debt used to part-settle the 2025 Debt has been restated to equal the present value of the cashflows relating to the that portion of the new debt. The revised cashflows are discounted at the effective interest rate associated with the original 2025 Debt which equates to a carrying value of £117.3m included in non-current borrowings above.

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 2020 was as follows:

	30 June 2020 £'000	31 December 2019 £'000
In more than one year but not more than two years	45,983	20,285
In more than two years but not more than five years	216,850	85,714
In more than five years	2,054,980	1,883,062
Transactions costs	(6,113)	(4,390)
	2,311,700	1,984,671

Notes to the condensed, consolidated interim financial statements (continued)
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24 Reconciliation of liabilities arising from financing activities

30 June 2020

	As at 31 December 2019 £'000	Non-cash finance (income)/ expense £'000	Cash Flows receipts/ (payments) £'000	As at 30 June 2020 £'000
Financing activities attributable to:				
Liabilities				
Bonds	1,940,000	(11,652)*	340,347	2,268,695
Bank loans	85,000	-	(85,000)	-
Bank loan interest accrued	45	175	(220)	-
Bond interest accrued	20,298	49,054**	(49,917)	19,435
Swap Interest accrued	2,867	9,399	(10,363)	1,903
Eversholt UK Rails Limited	340,562	-	-	340,562
Eversholt UK Rails Limited accrued interest	-	23,815	-	23,815
Profit Participating Shares	2,500	-	-	2,500
Other loan	5,999	57***	-	6,056
Profit Participating Shares interest accrued	81	96	(130)	47
	<u>2,397,352</u>	<u>70,944</u>	<u>194,717</u>	<u>2,663,013</u>
Assets				
Capitalised transaction costs	<u>(5,020)</u>	<u>731</u>	<u>(2,440)</u>	<u>(6,729)</u>

30 June 2019

	As at 31 December 2018 £'000	Non-cash finance expense £'000	Cash Flows receipts/ (payments) £'000	As at 30 June 2019 £'000
Financing activities attributable to:				
Liabilities				
Bonds	1,940,000	-	-	1,940,000
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
Profit Participating Shares	2,500	-	-	2,500
Other loan	5,883	61**	-	5,944
Profit Participating Shares interest accrued	115	128	(157)	86
	<u>2,317,800</u>	<u>80,850</u>	<u>(2,466)</u>	<u>2,396,184</u>
Assets				
Capitalised transaction costs	<u>(5,667)</u>	<u>1,172</u>	<u>(851)</u>	<u>(5,346)</u>

*This relates to the refinancing gain described in note 4.1, adjusted for capitalised transaction costs expensed as part of the transaction.

**Bond interest excludes capitalised interest of £57,000 (6 months ended 30 June 2019: £3,781,000) transferred to Property, plant and equipment (see note 12).

***Interest is capitalised within Property, plant and equipment (see note 12).

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25 Provisions

	30 June 2020 £'000	31 December 2019 £'000
Current	165	40
Non-current	-	161
Total	165	201

Provision relates to dilapidations on office buildings.

	Total 30 June 2020 £'000	Total 31 December 2019 £'000
Balance at beginning of the year	201	35
(Utilised)/additions	(36)	166
Balance at the end of the period	165	201

26 Share capital

	30 June 2020 £	31 December 2019 £
Authorised		
102 Ordinary shares of £1 each (2019: 102)	102	102
Allotted, called up and fully paid		
102 Ordinary shares of £1 each (2019: 102)	102	102

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

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for the 6 months ended 30 June 2020

28 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 2019 consolidated annual financial statements. In addition, there are risks associated with the COVID-19 crisis, details of which are considered in note 2.3 "Going concern".

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 2020						
Financial assets						
Fair value through profit or loss						
Derivative financial instruments	58,025	8,297	-	5,834	16,390	(13,927)
Amortised cost						
Finance lease receivables	4,926	5,755	-	1,381	4,374	-
Trade and other receivables	7,236	7,236	-	7,236	-	-
Cash and cash equivalents	398,223	398,223	298,223	100,000	-	-
	<u>468,410</u>	<u>419,511</u>	<u>298,223</u>	<u>114,451</u>	<u>20,764</u>	<u>(13,927)</u>
Financial liabilities						
Fair value through profit or loss						
Derivative financial instruments	268,408	227,934	-	25,187	85,757	116,990
Amortised cost						
Trade and other payables	45,960	45,962	-	45,962	-	-
Borrowings	2,663,013	3,562,929	-	407,568	549,376	2,605,985
	<u>2,977,381</u>	<u>3,836,825</u>	<u>-</u>	<u>478,717</u>	<u>635,133</u>	<u>2,722,975</u>
Total financial instruments	<u>(2,508,971)</u>	<u>(3,417,314)</u>	<u>298,223</u>	<u>(364,266)</u>	<u>(614,369)</u>	<u>(2,736,902)</u>

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 2019						
Financial assets						
Fair value through profit or loss						
Derivative financial instruments	21,821	7,135	-	1,824	3,731	1,580
Amortised cost						
Finance lease receivables	5,416	6,446	-	1,381	5,065	-
Trade and other receivables	10,710	10,710	-	10,710	-	-
Cash and cash equivalents	71,963	71,963	68,863	-	-	3,100
	<u>109,910</u>	<u>96,254</u>	<u>68,863</u>	<u>13,915</u>	<u>8,796</u>	<u>4,680</u>
Financial liabilities						
Fair value through profit or loss						
Derivative financial instruments	171,957	192,853	-	21,554	67,321	103,978
Amortised cost						
Trade and other payables	55,633	55,633	-	55,633	-	-
Borrowings	2,397,352	3,485,385	-	506,479	423,684	2,555,222
	<u>2,624,942</u>	<u>3,733,871</u>	<u>-</u>	<u>583,666</u>	<u>491,005</u>	<u>2,659,200</u>
Total financial instruments	<u>(2,515,032)</u>	<u>(3,637,617)</u>	<u>68,863</u>	<u>(569,751)</u>	<u>(482,209)</u>	<u>(2,654,520)</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2020

29 Financial instruments

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

Group		Carrying amount	Fair Value		
30 June 2020	Note		Level 1	Level 2	Level 3
		£'000	£'000	£'000	£'000
Financial assets					
Fair value through profit or loss					
Derivative financial instruments	18	58,025		58,025	
Amortised cost					
Finance lease receivables	14	4,926			
Trade and other receivables	16	7,236			
Cash and cash equivalents	19	398,223			
Total Financial assets		468,410			
Financial liabilities					
Fair value through profit or loss					
Derivative financial instruments	18	268,408		268,407	
Amortised cost					
Publicly traded bonds	24	1,822,011	2,092,854		
Fixed rate borrowings	24	340,000		377,066	
Other borrowings	24	501,002			
Trade and other payables	21	45,960			
Total Financial liabilities		2,977,381			
Total financial instruments		(2,508,971)			

Group		Carrying amount	Fair Value		
31 December 2019	Note		Level 1	Level 2	Level 3
		£'000	£'000	£'000	£'000
Financial assets					
Fair value through profit or loss					
Derivative financial instruments	18	21,821		21,821	
Amortised cost					
Finance lease receivables	14	5,416			
Trade and other receivables	16	10,710			
Cash and cash equivalents	19	71,963			
Total Financial assets		109,910			
Financial liabilities					
Fair value through profit or loss					
Derivative financial instruments	18	171,957		171,957	
Amortised cost					
Publicly traded bonds	24	1,500,000	1,745,034		
Fixed rate borrowings	24	340,000		372,317	
Other borrowings	24	557,352			
Trade and other payables	21	55,633			
Total Financial liabilities		2,624,942			
Total financial instruments		(2,515,032)			

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

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2020

30 Retirement benefit obligations

There has been no change in retirement benefit obligations from 31 December 2020.

31 Capital commitments

In respect of rolling stock capital expenditure:

	30 June 2020 £'000	31 December 2019 £'000
Authorised and contracted	<u>67,826</u>	<u>164,761</u>

32 Dividends

For the period ended 30 June 2020, no dividends were paid (6 months ended 30 June 2019: £20,950,000).

33 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 2020.

34 Related party transactions

34.1 Identity of related parties

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

The results of the Company and its subsidiaries before 30 December 2019 are consolidated in the consolidated financial statements of CKHH. The Directors of the Company consider CKHH was the ultimate parent and controlling party prior to 30 December 2019.

In light of the above, the Directors of the Company consider the ultimate parent and controlling party from 30 December 2019 to be UK Rails S.A.R.L. incorporated in Luxembourg.

34.2 Transactions with related parties

As at 30 June 2020 the Group owed £340,562,000 (31 December 2019: £340,562,000) to its immediate parent Eversholt UK Rails Limited, disclosed in note 24. Interest on these loans is disclosed in note 7.

Prior to being placed into liquidation on 19 August 2019, Eversholt Rails (365) Limited was a related party of the Company. Details of related party transactions are as follows:

1. 6 months ended 30 June 2019: £3,147,000: fees for the provision of maintenance procurement and management services.
2. At 30 June 2019, the Group has management service fees receivable of £327,000 from Eversholt Rail (365) Limited.

The Group paid management service fees of £60,000 (6 months ended to 30 June 2019: £60,000) to Eversholt UK Rails Limited.

35 Contingent liabilities

There were no contingent liabilities for the Group at 30 June 2020.

36 Subsequent events

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