

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

**Unaudited, condensed, consolidated
interim financial statements
for the 6 months ended 30 June 2021**

Registered No: 10783654

Condensed, consolidated interim financial statements
for the 6 months ended 30 June 2021

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Unaudited

Condensed, consolidated income statement

for the 6 months ended 30 June 2021

	Note	6 months ended	
		30 June 2021 £'000	30 June 2020 £'000
Revenue			
Finance lease income	4.1	248	279
Operating lease income	4.1	183,466	199,278
Maintenance income	4.1	24,392	21,314
Other income	4.1	3,059	3,109
Total revenue		211,165	223,980
Cost of sales	5	(85,212)	(103,566)
Gross profit		125,953	120,414
Finance income	6	88	37
Finance expense	7	(74,011)	(85,330)
Net fair value gain/(loss) on derivative financial instruments	18	11,548	(4,706)
Administrative expense	8	(11,955)	(9,815)
Other gains	4.1	-	11,354
Gain on disposal of property, plant and equipment		4,501	-
Profit before tax		56,124	31,954
Income tax charge	11	(38,942)	(8,980)
Profit for the period		17,182	22,974

There were no discontinued or discontinuing operations during the period.

The notes on pages 7 to 30 form an integral part of these financial statements.

Condensed, consolidated statement of comprehensive income

for the 6 months ended 30 June 2021

	Note	6 months ended	
		30 June 2021 £'000	30 June 2020 £'000
Profit for the period		17,182	22,974
Other comprehensive income/(expense)			
Effective portion of changes in fair value of cash flow hedges	18	4,762	(57,811)
Realised loss on cash flow hedges to property, plant and equipment	18	(524)	(954)
Realised gain on cash flow hedges	18	502	-
Realised gain on cash flow hedges to the income statement	18	2,121	556
Tax credit on changes in effective portion of changes in fair value of cash flow hedges	18	4,351	12,300
Effect of deferred tax rate change on loss of defined benefit scheme	15	535	130
		11,747	(45,779)
Total comprehensive income/(expense) for the period		28,929	(22,805)

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 2021

		30 June 2021 £'000	31 December 2020 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	2,166,634	2,234,096
Right-of-use assets	13	3,295	3,620
Finance lease receivables	14	2,804	3,335
Derivative financial instruments	18	20,631	48,325
		<u>2,193,364</u>	<u>2,289,376</u>
Current assets			
Inventory	22	227	302
Finance lease receivables	14	1,083	1,083
Contract assets	4.2	1,056	2,037
Trade and other receivables	16	19,019	16,019
Current tax		-	4,222
Cash and cash equivalents	19	153,360	81,534
Amount owed by Eversholt UK Rails Limited	33	-	8
		<u>174,745</u>	<u>105,205</u>
Total assets		<u>2,368,109</u>	<u>2,394,581</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	21	60,216	66,742
Current tax		78	-
Lease liabilities	17	790	970
Borrowings	23	98,453	63,820
Other liabilities	20	2,365	18,206
		<u>161,902</u>	<u>149,738</u>
Non-current liabilities			
Retirement benefit obligation	29	8,915	8,915
Borrowings	23	2,241,987	2,267,504
Deferred tax	15	58,769	39,265
Contract liabilities	4.2	52,014	53,364
Other liabilities	20	143,384	117,357
Derivative financial instruments	18	160,429	204,561
Lease liabilities	17	3,798	4,095
Provisions	25	165	165
		<u>2,669,461</u>	<u>2,695,226</u>
Total liabilities		<u>2,831,363</u>	<u>2,844,964</u>
Equity			
Share capital	26	-	-
Other reserve		13,672	13,672
Accumulated deficit		(406,257)	(382,174)
Hedging reserve	18	(70,669)	(81,881)
Total equity		<u>(463,254)</u>	<u>(450,383)</u>
Total equity and liabilities		<u>2,368,109</u>	<u>2,394,581</u>

Condensed, consolidated statement of financial position (continued)
as at 30 June 2021

The notes on pages 7 to 30 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 2021. 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 2021

	Note	6 months ended 30 June 2021 £'000	6 months ended 30 June 2020 £'000
Cash flow from operating activities			
Profit before tax		56,124	31,954
Adjustments for:			
- Depreciation	12	59,197	86,405
- Depreciation of right-of-use assets	13	325	347
- Write down in the value of inventory	5	75	104
- Release for expected credit loss allowance	16	(23)	-
- Fair value adjustment on derivative financial instruments	18	(11,548)	4,706
- Unwinding of capitalised finance charges	7	1,038	1,133
- Profit on disposal of property, plant and equipment		(4,501)	-
- Gain on refinancing	23	-	(11,354)
- Interest income	6	(88)	(37)
- Interest expense	7	72,973	84,197
Operating cash flow before changes in working capital		173,572	197,455
Decrease in finance lease receivables	14	531	490
(Increase)/decrease in trade and other receivables and contract assets	16,4.2	(1,996)	5,420
Increase in contract and other liabilities and provisions	4,20,25	10,470	14,257
Decrease in trade and other payables	21	(6,526)	(10,373)
Cash generated by operating activities		176,051	207,249
Taxation paid		(10,252)	(16,864)
Interest received	6	88	37
Net cash generated by operating activities		165,887	190,422
Cash flow from investing activities			
Acquisition of property, plant and equipment	12	(5,659)	(53,636)
Proceeds from sale of property, plant and equipment		17,933	-
Net cash generated by/(utilised in) investing activities		12,274	(53,636)
Cash flow from financing activities			
External borrowings (paid)/raised	24	(12,821)	340,347
Bank loans paid	24	-	(85,000)
Interest paid on bank loans	24	-	(220)
Interest paid on bonds	24	(42,880)	(49,917)
Interest paid on loan from Eversholt UK Rails Limited	24	(3,412)	-
Movement on other loan	24	(1)	-
Profit Participating Shares interest paid	24	(126)	(130)
Interest paid on swaps	24	(3,811)	(10,363)
Other finance costs paid		(966)	(2,440)
Repayment of lease liability	17	(526)	(533)
Dividends paid	32	(41,800)	-
Movement in amounts owed by group undertakings	33	8	-
Net cash (utilised in)/generated by financing activities		(106,335)	191,744
Net increase in cash and cash equivalents		71,826	328,530
Cash and cash equivalents at the beginning of the period		81,534	71,963
Net Foreign exchange difference		-	(2,270)
Cash and cash equivalents at the end of the period	19	153,360	398,223

Condensed, consolidated statement of changes in equity
for the 6 months ended 30 June 2021

	Note	Share capital £'000	Other reserve £'000	Hedging reserve £'000	Accumulated deficit £'000	Total equity £'000
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		-	-	(57,811)	-	(57,811)
Realised loss on cash flow hedges to property, plant and equipment		-	-	(954)	-	(954)
Realised gain on cash flow hedges to the income statement		-	-	556	-	556
Income tax credit on other comprehensive income		-	-	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)
Balance at 1 January 2021		-	13,672	(81,881)	(382,174)	(450,383)
Profit for the period		-	-	-	17,182	17,182
Effective portion of changes in fair value of cash flow hedges	18	-	-	4,762	-	4,762
Realised gain on cash flow hedges	18	-	-	502	-	502
Realised loss on cash flow hedges to property, plant and equipment	18	-	-	(524)	-	(524)
Realised gain on cash flow hedges to the income statement	18	-	-	2,121	-	2,121
Income tax credit on other comprehensive income	18	-	-	4,351	-	4,351
Effect of deferred tax rate change on Actuarial loss of defined benefit scheme	15	-	-	-	535	535
Total comprehensive income		-	-	11,212	17,717	28,929
Dividend paid	32	-	-	-	(41,800)	(41,800)
Balance at 30 June 2021		-	13,672	(70,669)	(406,257)	(463,254)

Dividends of £409,804 per share were paid during the period (6 months ended 30 June 2020: £nil per share).

Notes to the condensed, consolidated interim financial statements

for the 6 months ended 30 June 2021

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 (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.

All 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.

All entities that are controlled by Eversholt UK Rails (Holding) Limited are consolidated until the date that control ceases.

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.

The condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the United Kingdom (“UK”). 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 2020. 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 2020.

2.3 Going concern

The Group’s forecasts and projections taking account of reasonably possible changes in trading performance, including the potential impact of COVID-19, show that the Group has adequate resources to continue in operational existence for the period of at least 12 months from the date when the condensed consolidated interim financial statements are authorised for issue. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

Notes to the condensed, consolidated interim financial statements (continued) for the 6 months ended 30 June 2021

2 Basis of preparation (continued)

2.3 Going concern (continued)

In reaching this conclusion, the Directors have also considered: the current financial position of the Group, which has cash of £153,360,000 and undrawn committed borrowing facilities of £600,000,000 as at 30 June 2021; projected performance against financial covenants; the high level of forecast revenue underpinned by existing lease agreements; the legal arrangements in place in the event of an operator default and the extent to which the UK Government is the “operator of last resort” in such circumstances; and potential mitigating actions. Multiple scenarios were run against the most recent forecasts as well as assessing the level of forecast revenue that would need to be lost before the Group breached any of its borrowing covenants. The Directors are satisfied that under all reasonable sensitivities to the Group’s forecasts and projections that the Group has adequate resources to continue in existence for the period of at least 12 months from the date when these financial statements are authorised for issue.

The Directors have considered the potential impacts of COVID-19 upon the viability of the Group’s rolling stock leasing business and its ability to meet commitments for a period of at least 12 months from the date when these financial statements are authorised for issue. One area of potential impact upon the Group’s business is the threat to the demand for passenger rolling stock as a result of a sustained reduction in passenger volumes. This is largely mitigated in the short term by the existing lease agreements with operators and UK Government support for rail services through formal arrangements with operators, including, for example, ERMA (Emergency Recovery Measures Agreements), introduced in 2020. In due course, these will be replaced by national rail contracts which will be eventually superseded by passenger service contracts. The Group’s current rolling stock maintenance and enhancement plans may be subject to delays caused by COVID-19, however this is currently not considered a material risk.

In common with UK businesses generally, the Group 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. The Group maintains a prudent level of liquidity to cater for adverse business conditions in the event of a prolonged severe period of disruption.

At this stage, the Directors do not believe that COVID-19 presents any material risks to the Group, nor changes to risk management. The Directors consider the key critical judgement in reaching this conclusion to be the UK Government’s continued support to the rail industry. Nevertheless, the Directors continue to keep the position under review, monitoring events and a range of possible outcomes, as the full impact of COVID-19 emerges.

3 Summary of significant accounting policies

The accounting policies applied by the Group in these condensed interim financial statements are the same as those applied by the Group in its financial statements for the year ended 31 December 2020.

These policies are consistent with applicable IFRSs (“International Financial Reporting Standards”), issued by the IASB (“International Accounting Standards Board”) or IFRIC (“IFRS Interpretations Committee”) and endorsed for use in the UK by the UK Endorsement Board, referred to as “UK-adopted IFRS”.

The concept of “UK adoption” has been introduced as a consequence of the UK’s withdrawal from the European Union (“EU”) and the end of the corresponding transition arrangements on 31 December 2020. There is currently no difference between IFRSs endorsed by the EU and IFRSs adopted by the UK in terms of their application to the Group.

With effect from 1 January 2021, the Company has also implemented Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2, issued by the IASB on 27 August 2020 and adopted by the UK on 5 January 2021. Accordingly, the Company has provided additional disclosure as regards progress towards reform, as set out in note 18.

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

for the 6 months ended 30 June 2021

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 2021	30 June 2020
	£'000	£'000
Operating lease rental income	183,466	199,278
Finance lease rental income	248	279
Revenue from contracts with customers		
- Maintenance income	24,392	21,314
- Other income	3,059	3,109
	<u>211,165</u>	<u>223,980</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 regarded by the Group, 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 2021 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 2021	31 December 2020
	£'000	£'000
Within 1 year	15,762	43,556
1-5 years	116,342	98,192
	<u>132,104</u>	<u>141,748</u>

Other income

Other income primarily relates to the provision in the UK of asset management services £3,059,000 (6 months ended 30 June 2020: £3,109,000).

The transaction price allocated to (partially) unsatisfied performance obligations at 30 June 2021 is set out below.

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

for the 6 months ended 30 June 2021

4 Revenue (continued)

4.1 Revenue information (continued)

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

	30 June 2021 £'000	31 December 2020 £'000
Within 1 year	1,600	3,255
1-2 years	1,600	3,255
2-5 years	5,800	10,764
> 5 years	15,600	33,360
	<u>24,600</u>	<u>50,634</u>

In 2020's Condensed Income statement, Other income included the gain of £11,354,000 arising on the part repayment of a loan from Eversholt Funding plc – see note 23. In preparing the comparatives to 2021 Condensed Income statement, this gain has been separately identified as "Other gains" and "Other income" restated accordingly.

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 2021 £'000	31 December 2020 £'000	1 January 2020 £'000
Contract assets	1,056	2,037	4,568
Contract liabilities	52,014	53,364	23,996
Trade receivables	12,278	8,069	8,326

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). There are no adjustments to performance obligations satisfied in the prior period.

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.

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

The amount of £53,364,000 (2020: £23,996,000) recognised in contract liabilities at the beginning of the year will be recognised in 2021.

5 Cost of sales

	6 months ended 30 June 2021 £'000	30 June 2020 £'000
Depreciation – rolling stock and other railway assets	(59,085)	(86,286)
Depreciation – right-of-use asset – other railway assets	(98)	(98)
Maintenance cost	(25,954)	(17,078)
Write down in the value of inventories	(75)	(104)
	<u>(85,212)</u>	<u>(103,566)</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2021

6 Finance income

	6 months ended	
	30 June 2021	30 June 2020
	£'000	£'000
Bank interest	<u>88</u>	<u>37</u>

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

7 Finance expense

	6 months ended	
	30 June 2021	30 June 2020
	£'000	£'000
Interest and other expenses		
Interest payable to Eversholt UK Rails Limited	(23,749)	(23,815)
Profit participating preference share dividend	(139)	(96)
Interest payable on bank loans	-	(175)
Interest payable on bonds	(42,643)	(48,997)
Other finance costs	(589)	(1,100)
Finance expense in relation to financial liabilities carried at amortised cost	<u>(67,120)</u>	<u>(74,183)</u>
Transfer from Hedging reserve	(2,121)	(556)
Interest payable in relation to swaps	(3,683)	(9,399)
Lease liability interest	(49)	(59)
Unwinding of capitalised borrowing costs	(1,038)	(1,133)
Total	<u>(74,011)</u>	<u>(85,330)</u>

8 Administrative expense

Administrative expense includes:

	6 months ended	
	30 June 2021	30 June 2020
	£'000	£'000
Foreign exchange gain	-	10
Depreciation – other assets	(112)	(118)
Depreciation – right-of-use assets	(227)	(250)
Defined contribution pension costs	(396)	(385)
Fees payable to the Company's auditor for the audit of the Group's annual financial statements	(219)	(203)
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 2021	30 June 2020
Directors	5	5
Operations	46	50
Administration	51	53
	<u>102</u>	<u>108</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2021

9 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	6 months ended	
	30 June 2021	30 June 2020
	£'000	£'000
Wages and salaries	(6,154)	(5,354)
Social security costs	(792)	(711)
Contributions to defined contribution pension scheme	(396)	(385)
Defined benefit pension scheme service cost	(98)	(102)
	<u>(7,440)</u>	<u>(6,552)</u>

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 2020: £nil).

The emoluments of the highest paid Director, including benefits in kind were £nil (6 months ended 30 June 2020: £nil). The accrued pension contributions paid by the Group in respect of the highest paid Director for the year were £nil (2020: £nil).

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

11 Income tax charge

	Note	6 months ended	
		30 June 2021	30 June 2020
		£'000	£'000
Current tax			
UK Corporation tax			
- On current period profit		(10,298)	(12,867)
- On prior years' profit		(4,254)	6,471
		<u>(14,552)</u>	<u>(6,396)</u>
Deferred tax			
Origination and reversal of temporary differences	15	(4,097)	3,692
Change in tax rate	15	(20,293)	(6,276)
		<u>(24,390)</u>	<u>(2,584)</u>
Income tax charge		<u>(38,942)</u>	<u>(8,980)</u>

The UK tax rate applied to the profits in the period was 19% (2020: 19%).

Corporation tax has been calculated by reference to the current tax rate of 19%.

Deferred tax is calculated by reference to the tax rates that apply when the corresponding deferred tax asset is realised or deferred tax liability settled. The applicable rates are those rates that have been enacted or substantively enacted by 30 June 2021 and are as follows:

For periods:	%
Prior to 1 April 2023	19
Post 31 March 2023	25

This has led to the tax charge attributable to "change in tax rate" shown in the above analysis.

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

for the 6 months ended 30 June 2021

11 Income tax charge (continued)

The following table reconciles the tax charge which would apply if all profits had been taxed at 19% (6 months ended 30 June 2020: 19%).

	6 months ended	
	30 June 2021	30 June 2020
	£'000	£'000
Profit before tax	56,124	31,954
Taxation at corporation tax rate 19% (2020: 19%)	(10,664)	(6,071)
Change in tax rate	(20,293)	(6,276)
Prior year adjustment	(4,254)	6,471
Non-taxable income	1,991	1,485
Non-taxable expenses	(1,202)	(4,589)
Unrecognised tax attribute	(4,520)	-
Income tax charge	(38,942)	(8,980)

The unrecognised tax attribute relates to an unrecognised deferred tax of £4,520,000 in relation to interest expense disallowed for tax purposes in the period under the Corporate Interest Restriction (CIR) rules. The Group does not expect to have sufficient interest allowance in future years for the asset to unwind and as such a deferred tax asset has not been recognised.

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 £4,886,000 recognised in total comprehensive income (6 months ended 30 June 2020: £12,431,000 gain).

12 Property, plant and equipment

	Other assets	Rolling stock and other railway assets	Total
	£'000	£'000	£'000
Cost			
Balance at 1 January 2020	3,347	3,476,930	3,480,277
Additions	365	80,576	80,941
Disposals	-	(37,078)	(37,078)
Balance at 31 December 2020	3,712	3,520,428	3,524,140
Additions	11	5,156	5,167
Disposals	-	(27,183)	(27,183)
Balance at 30 June 2021	3,723	3,498,401	3,502,124
Depreciation			
Balance at 1 January 2020	2,997	1,133,592	1,136,589
Charge for the year	246	177,837	178,083
Write-down	-	12,450	12,450
Disposals	-	(37,078)	(37,078)
Balance at 31 December 2020	3,243	1,286,801	1,290,044
Charge for the period	112	59,085	59,197
Disposals	-	(13,751)	(13,751)
Balance at 30 June 2021	3,355	1,332,135	1,335,490
Carrying value at 30 June 2021	368	2,166,266	2,166,634
Carrying value at 31 December 2020	469	2,233,627	2,234,096

The cost of tangible fixed assets at 30 June 2021 includes capitalised interest of £45,282,000 (31 December 2020: £45,250,000). 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 £nil (2020: £nil).

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2021

12 Property, plant and equipment (continued)

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 include a credit from other comprehensive income (being a realised loss on cashflow hedges) of £524,000 (31 December 2020: £11,447,000 debit), bank loan capitalised interest of £32,000 (31 December 2020: £96,000) and bond capitalised interest of £nil (31 December 2020: £57,000).

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

13 Right-of-use assets

	Land and buildings £'000	Plant and equipment £'000	Other railway assets £'000	Total £'000
As at 1 January 2021	1,954	10	1,656	3,620
Depreciation charge	(223)	(4)	(98)	(325)
As at 30 June 2021	1,731	6	1,558	3,295
	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	(482)	(7)	(195)	(684)
As at 31 December 2020	1,954	10	1,656	3,620

14 Finance lease receivables

	30 June 2021 £'000	31 December 2020 £'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	2,993	3,683
Gross investment in finance leases	4,374	5,064
Unearned finance income	(487)	(646)
Net investment in finance leases less provisions	3,887	4,418
	30 June 2021 £'000	31 December 2020 £'000
Amortisation of finance lease receivables:		
Amounts falling due:		
No later than one year	1,083	1,083
Later than one year and no later than five years	2,804	3,335
Present value of minimum lease receivables	3,887	4,418

Aggregate finance lease income receivable in the period ended 30 June 2021/30 June 2020

	248	279
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Notes to the condensed, consolidated interim financial statements (continued)

for the 6 months ended 30 June 2021

14 Finance lease receivables (continued)

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 3.5 years' time.

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 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

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 2021 £'000	31 December 2020 £'000
Deferred tax liabilities	110,165	81,826
Deferred tax assets	<u>(51,396)</u>	<u>(42,561)</u>
	58,769	39,265

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

	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 2020	75,364	(421)	(28,986)	(1,108)	(3,035)	(272)	41,542
(Credit)/charge to income statement	(6,569)	1	8,941	(64)	3,847	45	6,201
Charge to other comprehensive income	-	-	(7,420)	(392)	-	-	(7,812)
Effect of change in tax rate:							
- Income statement	8,883	(50)	(2,169)	-	(357)	(32)	6,275
- Other comprehensive income	-	-	(1,241)	(130)	-	-	(1,371)
Prior year adjustment	4,148	(108)	-	-	(9,610)	-	(5,570)
At 1 January 2021	<u>81,826</u>	<u>(578)</u>	<u>(30,875)</u>	<u>(1,694)</u>	<u>(9,155)</u>	<u>(259)</u>	<u>39,265</u>
Charge to income statement	1,899	4	2,194	-	-	-	4,097
Credit to other comprehensive income	-	-	1,302	-	-	-	1,302
Effect of change in tax rate:							
- Income statement	26,440	(182)	(2,992)	-	(2,891)	(82)	20,293
- Other comprehensive income	-	-	(5,653)	(535)	-	-	(6,188)
Prior year adjustment	-	-	-	-	-	-	-
At 30 June 2021	<u>110,165</u>	<u>(756)</u>	<u>(36,024)</u>	<u>(2,229)</u>	<u>(12,046)</u>	<u>(341)</u>	<u>58,769</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2021

15 Deferred tax (continued)

Deferred tax is calculated by reference to the tax rates that apply when the corresponding deferred tax asset is realised or deferred tax liability settled. The applicable rates are those rates that have been enacted or substantively enacted by 30 June 2021 and are as follows:

For periods:	%
Prior to 1 April 2023	19
Post 31 March 2023	25

This has led to the tax charge attributable to “effect of change in tax rate” shown in the above analysis.

16 Trade and other receivables

	30 June 2021 £'000	31 December 2020 £'000
Trade receivables	18,083	13,762
Other receivables	936	2,257
	<u>19,019</u>	<u>16,019</u>

Trade receivables includes £5,805,000 (31 December 2020: £5,218,000) in relation to operating lease rentals that have been accrued and for which a 12 month expected credit loss allowance of £330,000 (31 December 2020: £353,000). During the period there has been a release of £23,000 in the expected credit loss allowance (6 months ended 30 June 2020: £nil). The allowance reflects a revised rental payment profile, pursuant to changes in commercial arrangements.

17 Lease liabilities

	Land and buildings £'000	Plant and equipment £'000	Other railway assets £'000	Total £'000
As at 1 January 2021	2,877	18	2,170	5,065
Additions	-	-	-	-
Interest charge	28	-	21	49
Payments	(372)	(4)	(150)	(526)
As at 30 June 2021	<u>2,533</u>	<u>14</u>	<u>2,041</u>	<u>4,588</u>

	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	67	-	47	114
Payments	(766)	-	(268)	(1,034)
As at 31 December 2020	<u>2,877</u>	<u>18</u>	<u>2,170</u>	<u>5,065</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2021

17 Lease liabilities (continued)

Total lease liabilities can be analysed as follows:

	30 June 2021 £'000	31 December 2020 £'000
Current	790	970
Non-current	3,798	4,095
	<u>4,588</u>	<u>5,065</u>

Maturity of lease liabilities

The maturity profile of undiscounted lease liabilities at 30 June 2021 was as follows:

	30 June 2021 £'000	31 December 2020 £'000
Current	<u>874</u>	<u>1,070</u>
In more than one year but not more than two years	1012	827
In more than two years but not more than five years	1,848	2,313
In more than five years	<u>1,227</u>	<u>1,289</u>
Non Current	<u>4,087</u>	<u>4,429</u>

18 Derivative financial instruments

The fair value of derivative financial instruments shown in the Statement of financial position, includes related accrued interest.

Amounts included under each "Derivative financial instruments" heading are analysed below:

	<i>Note</i>	30 June 2021 £'000	31 December 2020 £'000
Non-current assets			
Fair value - excluding accrued interest	<i>See below</i>	19,085	46,883
Accrued interest	<i>24</i>	<u>1,546</u>	<u>1,442</u>
		20,631	48,325
Non-current liabilities			
Fair value - excluding accrued interest	<i>See below</i>	(156,566)	(200,674)
Accrued interest	<i>24</i>	<u>(3,863)</u>	<u>(3,887)</u>
		(160,429)	(204,561)
Total derivative financial instruments (excluding accrued interest)		<u>(137,481)</u>	<u>(153,791)</u>
Total accrued interest	<i>24</i>	<u>(2,317)</u>	<u>(2,445)</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2021

18 Derivative financial instruments (continued)

Excluding accrued interest, the fair values of the derivative financial instruments are as follows:

30 June 2021	Notional Amount	Fair Value Amount	Change in fair value used for calculating hedge ineffectiveness
	£'000	£'000	£'000
Non-current assets			
Interest rate swap contracts	250,179	19,085	-
Non-current liabilities			
Interest rate swap contracts	850,179	(149,419)	-
Interest rate swap contracts – hedge accounted	237,500	(7,147)	6,029
	<u>1,087,679</u>	<u>(156,566)</u>	<u>6,029</u>
Total Liabilities	<u>1,087,679</u>	<u>(156,566)</u>	<u>6,029</u>
Total derivative financial instruments	<u>1,337,858</u>	<u>(137,481)</u>	<u>6,029</u>
31 December 2020	Notional Amount	Fair Value Amount	Change in fair value used for calculating hedge ineffectiveness
	£'000	£'000	£'000
Non-current assets			
Interest rate swap contracts	250,365	46,883	-
Current liabilities			
FX forward contracts - hedge accounted	-	-	458
Interest rate swap contracts	-	-	-
	<u>-</u>	<u>-</u>	<u>458</u>
Non-current liabilities			
Interest rate swap contracts	850,365	(187,498)	-
Interest rate swap contracts – hedge accounted	237,500	(13,176)	(50,321)
	<u>1,087,865</u>	<u>(200,674)</u>	<u>(50,321)</u>
Total Liabilities	<u>1,087,865</u>	<u>(200,674)</u>	<u>(49,863)</u>
Total derivative financial instruments	<u>1,338,230</u>	<u>(153,791)</u>	<u>(49,863)</u>

The fair value of derivative financial instruments is based on market rates on 30 June 2021.

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

for the 6 months ended 30 June 2021

18 Derivative financial instruments (continued)

Movement in fair value of Derivative financial instruments

	Foreign exchange forward contracts		Interest rate swap contracts		Total
	Current hedge accounted	Not hedge accounted	Current hedge accounted		
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 January 2021	-	(140,615)	(13,176)		(153,791)
Unrealised gain through the income statement					
- Hedge ineffectiveness	-		1,267		1,267
- Other	-	10,281	-		10,281
	-	10,281	1,267		11,548
Unrealised gain through other comprehensive income	-		4,762		4,762
Balance as at 30 June 2021	-	(130,334)	(7,147)		(137,481)
Balance as at 1 January 2020	(458)	(100,062)	(49,616)		(150,136)
Unrealised gain/(loss) through the income statement					
- Hedge ineffectiveness	2	-	851		853
- Other	-	(6,758)	-		(6,758)
	2	(6,758)	851		(5,905)
- Settlement	-	52,966	-		52,966
- Transfer*	-	(86,761)	86,761		-
Unrealised gain/(loss) through other comprehensive income	456	-	(51,172)		(50,716)
Balance as at 31 December 2020	-	(140,615)	(13,176)		(153,791)

*The amount transferred represents the fair value of interest rate swaps at the time when their related hedge relationship was de-designated/designated during the year.

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

Movement in Hedging reserve

	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 2021	(1,115)	-	1,343	81,653	81,881
Unrealised gain through other comprehensive income	-	-	(4,762)	-	(4,762)
Effective portion of changes in fair value of cash flow hedges	-	-	(4,762)	-	(4,762)
Realised gain on cash flow hedges	-	-	-	(502)	(502)
Release to property, plant and equipment	524				524
Release to income statement				(2,121)	(2,121)
Income tax on other comprehensive income	(49)		1,091	(5,393)	(4,351)
Balance as at 30 June 2021	(640)	-	(2,328)	73,637	70,669

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2021

18 Derivative financial instruments (continued)

Movement in Hedging reserve (continued)

	Foreign exchange forward contracts		Interest rate swap contracts		Total £'000
	Current hedge accounted £'000	Terminated hedge accounted £'000	Current hedge accounted £'000	Terminated hedge accounted £'000	
Balance as at 1 January 2020	7,598	72	39,948	3,874	51,492
Unrealised (gain)/loss through other comprehensive income	(456)	-	51,172	-	50,716
Revaluation of EUR cash deposits through other comprehensive income	1,287	-	-	-	1,287
Effective portion of changes in fair value of cash flow hedges	831	-	51,172	-	52,003
Realised gain on cash flow hedges	-	-	-	(1,153)	(1,153)
Release to property, plant and equipment	(11,360)	(87)	-	-	(11,447)
Transfer **	-	-	(97,644)	97,644	-
Release to income statement	-	-	-	(353)	(353)
Income tax on Other comprehensive income	1,816	15	7,867	(18,359)	(8,661)
Balance as at 31 December 2020	(1,115)	-	1,343	81,653	81,881

**Transfer relates to the termination of a hedge relationship in June 2020. The hedged item, being forecast interest costs, is still expected to arise and therefore related amounts have been reclassified accordingly. The gross amount transferred is £97,644,000 and related deferred tax is £18,552,000.

18.1 Foreign exchange forward contracts

During 2020, the Group settled all foreign exchange forward contracts which had been contracted to hedge the variability in functional currency equivalent cash flows associated with committed EUR denominated capital expenditure. On inception, each contract was designated in hedge accounting relationships.

In relation to period ended 30 June 2020:

- the designated hedges were deemed highly effective.
- Hedge ineffectiveness of £2,000 gain comprised the difference between the change in the fair value of the:
 1. hedged item used as a basis of recognising hedge ineffectiveness of £594,000 loss; and
 2. forward foreign exchange contracts used as a basis of recognising hedge ineffectiveness of £596,000 gain.

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 2021

18 Derivative financial instruments (continued)

18.1 Foreign exchange forward contracts (continued)

During the period a loss of £524,000 (31 December 2020: £11,447,000 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 £nil (31 December 2020: £1,287,000) 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 2021 Notional value £'000	31 December 2020 Notional value £'000
Within 1 year	-	-
1 to 5 years	-	-
More than 5 years	1,337,858	1,338,230

At 30 June 2021, the Group held interest rate swaps with a fair value liability of £130,344,000 (31 December 2020: £140,615,000 liability) which were not designated in hedging relationships for accounting purposes.

Cumulative unrealised losses of £73,637,000 (31 December 2020: £81,653,000) relating to Interest rate swaps terminated in prior years remain in the Hedging reserve and will be recognised in the Income statement in future years, when the original hedged future cash flows occur

As at 30 June 2021, the Group's hedge accounted swaps were deemed to be effective and the fair value liability associated to these interest rate swaps was £7,147,000 (31 December 2020: £13,176,000).

Hedge ineffectiveness gain of £1,267,000 (6 months ended 30 June 2020: £1,834,000 loss) comprised the difference between the change in the fair value of the:

- hedged item used as a basis of recognising hedge ineffectiveness loss of £4,762,000 (6 months ended 30 June 2020: £56,163,000 gain); and
- interest rate swaps used as a basis of recognising hedge ineffectiveness gain of £6,029,000 (6 months ended 30 June 2020: £57,997,000 loss).

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

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 2020: £nil) on the basis that the Group is not in default and is not forecast to be in default or repay bonds early.

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

for the 6 months ended 30 June 2021

18 Derivative financial instruments (continued)

18.3 Replacement of LIBOR as an interest rate benchmark

The Company is in the process of re-negotiating/amending the terms of relevant instruments in order to accommodate such change in benchmarks, and expects to complete well in advance of 31 December 2021. Instruments impact will be interest rate swaps and borrowings, as described in notes 18 and 23. It is intended that LIBOR will be replaced by SONIA plus an appropriate credit adjustment spread, determined at the date of change. The Company does not consider that the new rate introduces any significant change in risk and therefore the Company's current risk management strategy remains in place.

19 Cash and cash equivalents

	30 June 2021 £'000	31 December 2020 £'000
Cash and cash equivalents	153,360	81,534

Within cash and cash equivalents there is a deposit of £2,600,000 (31 December 2020: £2,600,000) which provides security for the Profit Participating Shares issued by a subsidiary. £500,000 of cash and cash equivalents (31 December 2020: £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 2021 £'000	31 December 2020 £'000
Current	2,365	18,206
Non-current	143,384	117,357
	145,749	135,563

21 Trade and other payables

	30 June 2021 £'000	31 December 2020 £'000
Trade payables	30,146	20,322
Rentals received in advance	10,027	24,855
Maintenance, acquisition and administrative accruals	19,803	21,322
Other accruals	240	243
	60,216	66,742

22 Inventory

	30 June 2021 £'000	31 December 2020 £'000
Rolling stock spares	227	302

Write-down in the value of inventories recognised within cost of sales during the period was £75,000 (6 months ended 30 June 2020: £104,000). Stock is measured at the lower of cost and net realisable value.

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

for the 6 months ended 30 June 2021

23 Borrowings

	30 June 2021 £'000	31 December 2020 £'000
Current		
Interest accrued	38,443	18,330
Bonds	54,212	39,927
Other loans	6,126	6,095
Transaction costs	(328)	(532)
	<u>98,453</u>	<u>63,820</u>
Non-current		
Bonds	1,905,025	1,930,423
Transaction costs	(6,100)	(5,981)
Profit Participating Shares	2,500	2,500
Loan from Eversholt UK Rails Limited	340,562	340,562
	<u>2,241,987</u>	<u>2,267,504</u>
Total borrowings	<u>2,340,440</u>	<u>2,331,324</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 2021 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.

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
£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 is puttable.

*The above table includes new bond issuance of £500,000,000 in June 2020, of which £159,700,000 was used to repay £128,700,000 of the £400,000,000 bonds otherwise maturing in 2025 ("2025 Debt"). The bond principal amount therefore reduced to £271,300,000 as at 30 June 2020.

The part repayment was accounted for as a debt modification and not as an extinguishment of the original debt and issue of new debt. This was on the basis that the terms of the debt had not substantially changed, which resulted in an overall gain of £11,354,000.

In accordance with IFRS 9, 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 were discounted at the effective interest rate associated with the original 2025 Debt which equates to a carrying value of £117,300,000 included in non-current borrowings above.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2021

23 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 lender’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 2021 was as follows:

	30 June 2021 £'000	31 December 2020 £'000
In more than one year but not more than two years	54,212	54,212
In more than two years but not more than five years	433,986	433,987
In more than five years	1,759,889	1,785,286
Transactions costs	(6,100)	(5,981)
	<u>2,241,987</u>	<u>2,267,504</u>

24 Reconciliation of liabilities arising from financing activities

30 June 2021	As at 31 December 2020 £'000	Non-cash finance expense £'000	Cash Flows payments £'000	As at 30 June 2021 £'000
Financing activities attributable to:				
Liabilities				
Bonds	1,970,349	1,709	(12,821)	1,959,237
Bond interest accrued	18,248	42,643	(42,880)	18,011
Swap interest accrued	2,445	3,683	(3,811)	2,317
Loan from Eversholt UK Rails Limited	340,562	-	-	340,562
Eversholt UK Rails Limited accrued interest	-	23,749	(3,412)	20,337
Profit Participating Shares	2,500	-	-	2,500
Other loan	6,095	32***	(1)	6,126
Profit Participating Shares dividend accrued	82	139	(126)	95
	<u>2,340,281</u>	<u>71,955</u>	<u>(63,051)</u>	<u>2,349,185</u>
Assets				
Capitalised transaction costs	<u>(6,513)</u>	<u>1,038</u>	<u>(953)</u>	<u>(6,428)</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2021

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
Loan from 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 dividend 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>

*This relates to the refinancing gain described in note 23, adjusted for capitalised transaction costs expensed as part of the transaction.

**Bond interest excludes capitalised interest of £57,000 transferred to Property, plant and equipment (see note 12).

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

25 Provisions

	30 June 2021 £'000	31 December 2020 £'000
Non-current	<u>165</u>	<u>165</u>
Total	<u>165</u>	<u>165</u>

Provision relates to dilapidations on office buildings. Contractual amounts are due to be incurred within the term of lease which ends June 2025.

	Total 30 June 2021 £'000	Total 31 December 2020 £'000
Balance at beginning of the year	165	201
Utilised	-	(36)
Balance at the end of the period	<u>165</u>	<u>165</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2021

26 Share capital

	30 June 2021 £	31 December 2020 £
Authorised		
102 Ordinary shares of £1 each (2020: 102)	<u>102</u>	<u>102</u>
Allotted, called up and fully paid		
102 Ordinary shares of £1 each (2020: 102)	<u>102</u>	<u>102</u>

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

27 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 2020 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 2021						
Financial assets						
Fair value through profit or loss						
Derivative financial instruments	20,631	22,223	-	3,624	7,525	11,074
Amortised cost						
Finance lease receivables	3,887	4,374	-	1,381	2,993	-
Trade and other receivables	19,019	19,019	-	19,019	-	-
Cash and cash equivalents	<u>153,360</u>	<u>153,238</u>	<u>153,238</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>196,897</u>	<u>198,854</u>	<u>153,238</u>	<u>24,024</u>	<u>10,518</u>	<u>11,074</u>
Financial liabilities						
Fair value through profit or loss						
Derivative financial instruments	160,429	177,691	-	11,127	37,313	129,251
Amortised cost						
Trade and other payables	60,216	60,216	-	60,216	-	-
Borrowings	<u>2,346,868</u>	<u>3,155,443</u>	<u>-</u>	<u>145,274</u>	<u>795,794</u>	<u>2,214,375</u>
	<u>2,567,513</u>	<u>3,393,350</u>	<u>-</u>	<u>216,617</u>	<u>833,107</u>	<u>2,343,626</u>
Total financial instruments	<u>(2,370,616)</u>	<u>(3,194,496)</u>	<u>153,238</u>	<u>(192,593)</u>	<u>(822,589)</u>	<u>(2,332,552)</u>

Notes to the condensed, consolidated interim financial statements (continued)
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27 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 2020						
Financial assets						
Fair value through profit or loss						
Derivative financial instruments	48,325	50,549	-	3,564	13,072	33,913
Amortised cost						
Finance lease receivables	4,418	5,064	-	1,381	3,683	-
Trade and other receivables	16,019	16,019	-	16,019	-	-
Cash and cash equivalents	81,534	81,534	81,534	-	-	-
	<u>150,296</u>	<u>153,166</u>	<u>81,534</u>	<u>20,964</u>	<u>16,755</u>	<u>33,913</u>
Financial liabilities						
Fair value through profit or loss						
Derivative financial instruments	204,561	215,423	-	11,117	42,908	161,398
Amortised cost						
Trade and other payables	66,742	66,742	-	66,742	-	-
Borrowings	2,337,837	3,211,179	-	131,627	809,660	2,269,892
	<u>2,609,140</u>	<u>3,493,344</u>	<u>-</u>	<u>209,486</u>	<u>852,568</u>	<u>2,431,290</u>
Total financial instruments	<u>(2,458,844)</u>	<u>(3,340,178)</u>	<u>81,534</u>	<u>(188,522)</u>	<u>(835,813)</u>	<u>(2,397,377)</u>

The borrowings in the above table that are measured at amortised cost can be reconciled to note 23 as follows:

	30 June 2021 £'000	31 December 2020 £'000
Borrowings as per above	2,346,868	2,337,837
Less: transaction costs	(6,428)	(6,513)
Borrowings per note 23	<u>2,340,440</u>	<u>2,331,324</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2021

28 Financial instruments

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

Group	Note	Carrying amount	Fair Value		
			Level 1	Level 2	Level 3
30 June 2021		£'000	£'000	£'000	£'000
Financial assets					
Fair value through profit or loss					
Derivative financial instruments	18	20,631		20,631	
Amortised cost					
Finance lease receivables	14	3,887			
Trade and other receivables	16	19,019			
Cash and cash equivalents	19	153,360			
Total Financial assets		196,897			
Financial liabilities					
Fair value through profit or loss					
Derivative financial instruments	18	160,429		160,429	
Amortised cost					
Publicly traded bonds	23	1,519,237	1,804,387		
Fixed rate borrowings	23	340,000		392,901	
Other borrowings	23	487,631			
Trade and other payables	21	60,216			
Total Financial liabilities		2,567,513			
Total financial instruments		(2,370,616)			
Group	Note	Carrying amount	Fair Value		
31 December 2020		£'000	Level 1	Level 2	Level 3
			£'000	£'000	£'000
Financial assets					
Fair value through profit or loss					
Derivative financial instruments	18	48,325		48,325	
Amortised cost					
Finance lease receivables	14	4,418			
Trade and other receivables	16	16,019			
Cash and cash equivalents	19	81,534			
Total Financial assets		150,296			
Financial liabilities					
Fair value through profit or loss					
Derivative financial instruments	18	204,561		204,561	
Amortised cost					
Publicly traded bonds	23	1,530,349	1,892,980		
Fixed rate borrowings	23	340,000		406,692	
Other borrowings	23	467,488			
Trade and other payables	21	66,742			
Total Financial liabilities		2,609,140			
Total financial instruments		(2,458,844)			

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 2021

28 Financial instruments (continued)

The non-derivative financial liabilities measured at amortised cost can be reconciled to note 23 as follows:

	30 June 2021 £'000	31 December 2020 £'000
Non-derivative instruments as per above	2,407,084	2,404,579
Transaction costs	(6,428)	(6,513)
Trade and other payables	(60,216)	(66,742)
Borrowings per note 23	<u>2,340,440</u>	<u>2,331,324</u>

29 Retirement benefit obligations

There has been no material change in retirement benefit obligations from 31 December 2020, other than the increase in the carrying value of the related deferred tax asset, attributable to the change in corporation tax rates – see note 15.

30 Operating lease arrangements

The Group as lessor

The Group has contracts with lessees in relation to rolling stock and depots. At the reporting date, the outstanding commitments for future undiscounted lease payments to be received under operating leases are as follows:

	30 June 2021 £'000	31 December 2020 £'000
Within one year	292,686	409,385
1-2 years	177,147	247,918
2-3 years	100,511	145,205
3-4 years	69,357	126,246
4-5 years	6,781	29,632
Over 5 years	16,223	24,351
	<u>662,705</u>	<u>982,737</u>
Aggregate operating lease rentals receivable in the period/year	<u>211,049</u>	<u>390,196</u>

31 Capital commitments

In respect of rolling stock capital expenditure:

	30 June 2021 £'000	31 December 2020 £'000
Authorised and contracted	<u>49,908</u>	<u>48,777</u>

The above represents all capital commitments.

32 Dividends

For the period ended 30 June 2021, dividends of £41,800,000 were paid (6 months ended 30 June 2020: £nil).

Notes to the condensed, consolidated interim financial statements (continued)
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33 Related party transactions

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.

As at 30 June 2021 the Group owed £340,562,000 (31 December 2020: £340,562,000) to its immediate parent Eversholt UK Rails Limited, disclosed in note 24. Interest on these loans is disclosed in note 7.

The Group paid management service fees of £60,000 (6 months ended to 30 June 2020: £60,000) to Eversholt UK Rails Limited.

The amount of £nil (6 months ended to 30 June 2020: £8,000) owed by Eversholt UK Rails Limited relates to the consideration due to the Group for tax losses surrendered.

34 Contingent liabilities

There were no contingent liabilities for the Group at 30 June 2021 and at 31 December 2020.

35 Subsequent events

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