

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

**Unaudited, condensed, consolidated
interim financial statements
for the 6 months ended 30 June 2022**

Registered No: 10783654

Condensed, consolidated interim financial statements
for the 6 months ended 30 June 2022

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Unaudited

Condensed, consolidated income statement

for the 6 months ended 30 June 2022

	Note	6 months ended	
		30 June 2022 £'000	30 June 2021 £'000
Revenue			
Finance lease income	4.1	205	248
Operating lease income	4.1	164,164	183,466
Maintenance income	4.1	20,728	24,392
Other income	4.1	1,191	3,059
Total revenue		186,288	211,165
Cost of sales	5	(79,507)	(85,212)
Gross profit		106,781	125,953
Finance income	6	1,103	88
Finance expense	7	(75,579)	(74,011)
Net fair value gain on derivative financial instruments	18	19,918	11,548
Administrative expense	8	(13,829)	(11,955)
Gain on disposal of property, plant and equipment		2,398	4,501
Profit before tax		40,792	56,124
Income tax charge	11	(11,787)	(38,942)
Profit for the period		29,005	17,182

There were no discontinued or discontinuing operations during the period.

The notes on pages 7 to 29 form an integral part of these financial statements.

Condensed, consolidated statement of comprehensive income

for the 6 months ended 30 June 2022

	Note	6 months ended	
		30 June 2022 £'000	30 June 2021 £'000
Profit for the period		29,005	17,182
Other comprehensive income/(expense)			
Actuarial gain on defined benefit scheme	29	6,226	-
Tax (charge)/credit in respect of actuarial movement on defined benefit scheme	15	(1,557)	535
Effective portion of changes in fair value of cash flow hedges	18	8,830	4,762
Transfer of loss/(gain) on cash flow hedges to property, plant and equipment	18	142	(524)
Transfer of loss on cash flow hedges	7/18	407	502
Transfer of loss on cash flow hedges to the income statement	7/18	2,121	2,121
Tax (charge)/credit on changes in effective portion of changes in fair value of cash flow hedges	18	(2,875)	4,351
Total comprehensive income for the period		42,299	28,929

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 2022

		30 June 2022 £'000	31 December 2021 £'000
Assets	Note		
Non-current assets			
Property, plant and equipment	12	2,038,958	2,100,430
Right-of-use assets	13	7,562	1,460
Finance lease receivables	14	1,804	2,164
Derivative financial instruments	18	29,225	17,940
Retirement benefit asset	29	1,200	-
		<u>2,078,749</u>	<u>2,121,994</u>
Current assets			
Inventory	22	76	151
Finance lease receivables	14	957	1,171
Contract assets	4.2	2,184	2,855
Trade and other receivables	16	16,253	12,075
Current tax	11	9,727	9,727
Cash and cash equivalents	19	238,982	225,064
		<u>268,179</u>	<u>251,043</u>
Total assets		<u>2,346,928</u>	<u>2,373,037</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	21	46,116	67,550
Lease liabilities	17	614	603
Current tax		3,148	6,857
Borrowings	23	71,278	71,747
Other liabilities	20	27,404	11,290
Provisions	25	-	165
		<u>148,560</u>	<u>158,212</u>
Non-current liabilities			
Retirement benefit obligation	29	-	5,026
Borrowings	23	2,191,845	2,217,012
Deferred tax	15	63,668	54,599
Contract liabilities	4.2	10,818	10,567
Other liabilities	20	186,314	191,273
Derivative financial instruments	18	139,352	156,867
Lease liabilities	17	7,291	1,700
		<u>2,599,288</u>	<u>2,637,044</u>
Total liabilities		<u>2,747,848</u>	<u>2,795,256</u>
Equity			
Share capital	26	-	-
Other reserve		13,672	13,672
Accumulated deficit		(352,981)	(365,655)
Hedging reserve	18	(61,611)	(70,236)
Total equity		<u>(400,920)</u>	<u>(422,219)</u>
Total equity and liabilities		<u>2,346,928</u>	<u>2,373,037</u>

Condensed, consolidated statement of financial position (continued)
as at 30 June 2022

The notes on pages 7 to 29 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 16 August 2022. 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 2022

	Note	6 months ended 30 June 2022 £'000	6 months ended 30 June 2021 £'000
Cash flow from operating activities			
Profit before tax		40,792	56,124
Adjustments for:			
- Depreciation	12	60,384	59,197
- Write down of rolling stock	12	4,339	-
- Depreciation of right-of-use assets	13	424	325
- Write down in the value of inventory	5	75	75
- Net fair value gain on derivative financial instruments	18	(19,918)	(11,548)
- Unwinding of capitalised finance charges	7	275	203
- Profit on disposal of property, plant and equipment		(2,398)	(4,501)
- Finance income	6	(1,103)	(88)
- Finance expense	7	75,304	73,808
Operating cash flow before changes in working capital		158,174	173,595
Decrease in finance lease receivables	14	574	531
Increase in trade and other receivables and contract assets	16,4.2	(3,507)	(2,019)
Increase in contract and other liabilities	4.2,20,25	10,844	10,470
Decrease in provisions	25	(165)	-
Decrease in trade and other payables	21	(21,449)	(6,526)
Cash generated by operating activities		144,471	176,051
Taxation paid		(10,859)	(10,252)
Interest received	6	1,103	88
Net cash generated by operating activities		134,715	165,887
Cash flow from investing activities			
Acquisition of property, plant and equipment		(3,109)	(5,659)
Proceeds from sale of property, plant and equipment		2,398	17,933
Net cash (utilised in)/generated by investing activities		(711)	12,274
Cash flow from financing activities			
External borrowings paid	24	(27,106)	(12,821)
Interest paid on bonds	24	(42,423)	(42,880)
Interest paid on loan from Eversholt UK Rails Limited	24	(23,749)	(3,412)
Movement on other loan	24	-	(1)
Profit Participating Shares interest paid	24	(133)	(126)
Interest paid on swaps	24	(3,759)	(3,811)
Other finance costs paid		(874)	(966)
Repayment of lease liability	17	(1,042)	(526)
Dividends paid	32	(21,000)	(41,800)
Movement in amounts owed by group undertakings		-	8
Net cash utilised in financing activities		(120,086)	(106,335)
Net increase in cash and cash equivalents		13,918	71,826
Cash and cash equivalents at the beginning of the period		225,064	81,534
Cash and cash equivalents at the end of the period	19	238,982	153,360

Condensed, consolidated statement of changes in equity
for the 6 months ended 30 June 2022

	Note	Share capital £'000	Other reserve £'000	Hedging reserve £'000	Accumulated deficit £'000	Total equity £'000
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		-	-	4,762	-	4,762
Realised loss on cash flow hedges		-	-	502	-	502
Transfer of gain on cash flow hedges to property, plant and equipment		-	-	(524)	-	(524)
Transfer of loss on cash flow hedges to the income statement		-	-	2,121	-	2,121
Income tax credit on other comprehensive income		-	-	4,351	-	4,351
Actuarial gain on defined benefit scheme after tax		-	-	-	535	535
Total comprehensive income		-	-	11,212	17,717	28,929
Dividend paid		-	-	-	(41,800)	(41,800)
Balance at 30 June 2021		-	13,672	(70,669)	(406,257)	(463,254)
Balance at 1 January 2022		-	13,672	(70,236)	(365,655)	(422,219)
Profit for the period		-	-	-	29,005	29,005
Effective portion of changes in fair value of cash flow hedges	18	-	-	8,830	-	8,830
Realised loss on cash flow hedges	18	-	-	407	-	407
Transfer of loss on cash flow hedges to property, plant and equipment	18	-	-	142	-	142
Transfer of loss on cash flow hedges to the income statement	18	-	-	2,121	-	2,121
Income tax debit on other comprehensive income	18	-	-	(2,875)	-	(2,875)
Actuarial gain on defined benefit scheme after tax	29	-	-	-	4,669	4,669
Total comprehensive income		-	-	8,625	33,674	42,299
Dividend paid	32	-	-	-	(21,000)	(21,000)
Balance at 30 June 2022		-	13,672	(61,611)	(352,981)	(400,920)

Dividends of £205,882 per share were paid during the period (6 months ended 30 June 2021: £409,804 per share).

Notes to the condensed, consolidated interim financial statements for the 6 months ended 30 June 2022

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 Ground Floor Wework 1 Waterhouse Square, 138-142 Holborn, London, England, EC1N 2ST. The Company together with its subsidiaries, form the Security Group (“Group”).

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

All subsidiaries are consolidated from the date that the Company gains control.

The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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.

Entities that are controlled by the Company are consolidated until the date that control ceases. All intercompany transactions are eliminated on consolidation.

2.2 Compliance with IFRSs

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 2021. 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 2021.

2.3 Going concern

The Group’s forecasts and projections taking account of reasonably possible changes in trading performance, 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.

In reaching this conclusion, the Directors have also considered: the current financial position of the Group, which has cash of £238,982,000 and undrawn committed borrowing facilities of £600,000,000 as at 30 June 2022; 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.

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

for the 6 months ended 30 June 2022

2 Basis of preparation (continued)

2.3 Going concern (continued)

In addition to the above, the Directors continue to monitor any potential COVID-19 impacts for the Group. At this stage, there has been no change in the assessment since 31 December 2021 and relevant details are set out in the Group's financial statements for the year ended 31 December 2021.

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 2021.

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".

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 2022	30 June 2021
	£'000	£'000
Operating lease rental income	164,164	183,466
Finance lease rental income	205	248
Revenue from contracts with customers		
- Maintenance income	20,728	24,392
- Other income	1,191	3,059
	<u>186,288</u>	<u>211,165</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 2022 is set out below.

As maintenance expenditure is incurred, the Group expects that these performance obligations will be satisfied (i.e. income will be generated) in the following periods:

	30 June 2022	31 December 2021
	£'000	£'000
Within 1 year	42,171	41,427
1-5 years	116,831	104,840
	<u>159,002</u>	<u>146,267</u>

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

for the 6 months ended 30 June 2022

4 Revenue (continued)

4.1 Revenue information (continued)

Other income

Other income primarily relates to the provision in the UK of asset management services £1,191,000 (6 months ended 30 June 2021: £3,059,000).

The transaction price allocated to (partially) unsatisfied performance obligations at 30 June 2022 is set out below.

Performance obligations are expected to be fulfilled (i.e. income will be generated) in relation to customers in the following periods:

	30 June 2022 £'000	31 December 2021 £'000
Within 1 year	2,600	2,600
1-2 years	1,600	1,600
2-5 years	1,467	2,267
	<u>5,667</u>	<u>6,467</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 2022 £'000	31 December 2021 £'000	1 January 2021 £'000
Contract assets	2,184	2,855	2,037
Contract liabilities	10,818	10,567	53,364
Trade receivables	16,224	9,380	8,069

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 £10,567,000 (2021: £53,364,000) recognised in contract liabilities at the beginning of the year will be recognised in 2022.

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.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2022

5 Cost of sales

	6 months ended	
	30 June 2022	30 June 2021
	£'000	£'000
Depreciation – rolling stock and other railway assets	(60,368)	(59,085)
Write-down of rolling stock (see note 12)	(4,335)	-
Depreciation – right-of-use asset – other railway assets (see note 13)	(424)	(98)
Maintenance cost	(14,305)	(25,954)
Write down in the value of inventories	(75)	(75)
	<u>(79,507)</u>	<u>(85,212)</u>

6 Finance income

	6 months ended	
	30 June 2022	30 June 2021
	£'000	£'000
Bank interest	1,103	88

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

7 Finance expense

	6 months ended	
	30 June 2022	30 June 2021
	£'000	£'000
Interest and other expenses		
Interest payable to Eversholt UK Rails Limited	(23,749)	(23,749)
Profit participating preference share dividend	(126)	(139)
Interest payable on bonds*	(41,961)	(42,643)
Other finance costs	(3,507)	(1,424)
Finance expense in relation to financial liabilities carried at amortised cost	(69,343)	(67,955)
Transfer from Hedging reserve (see note 18)	(2,121)	(2,121)
Interest payable in relation to swaps	(3,707)	(3,683)
Lease liability interest (see note 17)	(118)	(49)
Unwinding of capitalised borrowing costs	(275)	(203)
Other interest costs	(15)	-
Total	(75,579)	(74,011)

*interest payable on bonds includes £407,000 transferred from hedging reserve (30 June 2021, £502,000).

8 Administrative expense

Administrative expense includes:

	30 June 2022	30 June 2021
	£'000	£'000
Depreciation – other assets (see note 12)	(16)	(112)
Depreciation – right-of-use assets (see note 13)	-	(227)
Defined contribution pension costs	(394)	(396)
Fees payable to the Company's auditor for the audit of the Group's annual financial statements	(479)	(219)

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2022

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 2022	30 June 2021
Directors	5	5
Operations	44	46
Administration	53	51
	<u>102</u>	<u>102</u>

The aggregate payroll costs of these persons were as follows:

	6 months ended	
	30 June 2022	30 June 2021
	£'000	£'000
Wages and salaries	(6,159)	(6,154)
Social security costs	(826)	(792)
Contributions to defined contribution pension scheme	(394)	(396)
Defined benefit pension scheme service cost	(89)	(98)
	<u>(7,468)</u>	<u>(7,440)</u>

10 Directors' emoluments

Directors' emoluments are borne by Eversholt Rail Limited.

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

11 Income tax charge

Amounts include the following tax (charge)/credit:

	<i>Note</i>	6 months ended	
		30 June 2022	30 June 2021
		£'000	£'000
Current tax			
UK Corporation tax			
- On current period profit		(9,091)	(10,298)
- On prior years' results		1,941	(4,254)
		<u>(7,150)</u>	<u>(14,552)</u>
Deferred tax			
Origination and reversal of temporary differences	15	(813)	(4,097)
Change in tax rates	15	(260)	(20,293)
Adjustment in respect of prior year	15	(3,564)	-
		<u>(4,637)</u>	<u>(24,390)</u>
Income tax charge		<u>(11,787)</u>	<u>(38,942)</u>

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

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2022

11 Income tax charge (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 2022 and are as follows:

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

The following table reconciles the tax charge which would apply if all profits had been taxed at 19% (6 months ended 30 June 2021: 19%).

	6 months ended	
	30 June 2022	30 June 2021
	£'000	£'000
Profit before tax	40,792	56,124
Taxation at corporation tax rate 19% (2021: 19%)	(7,750)	(10,664)
Change in tax rates	(260)	(20,293)
Prior year adjustment	(1,623)	(4,254)
Non-taxable income	3,009	1,991
Non-deductible expenses	(30)	(1,202)
UK to UK transfer pricing adjustment	(1,496)	-
Unrecognised tax attribute*	(3,637)	(4,520)
Income tax charge	(11,787)	(38,942)

*unrecognised tax attribute relates to interest expense disallowed for tax purposes in the financial year 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 loss of £4,432,000 recognised in total comprehensive income (6 months ended 30 June 2021: £4,886,000 gain).

Tax receivable in the Statement of financial position

The Group's tax receivable at 30 June 2022 includes tax recoverable in relation to prior years.

During 2021, the Group settled a number of outstanding issues with the tax authorities and, as a consequence, it is now estimated that the Group has overpaid tax of £9,727,000 for these years. The tax receivable amount at 30 June 2022 includes the Group's expected value of amounts to be recovered, determined by reference to the measurement principles of IFRIC 23 Uncertainty over Income Tax Treatments.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2022

12 Property, plant and equipment

	Other assets £'000	Rolling stock and other railway assets £'000	Total £'000
Cost			
Balance at 1 January 2021	3,712	3,520,428	3,524,140
Additions	12	21,527	21,539
Disposals	(3,378)	(269,498)	(272,876)
Balance at 31 December 2021	346	3,272,457	3,272,803
Additions	-	3,251	3,251
Disposals	-	(68,124)	(68,124)
Balance at 30 June 2022	346	3,207,584	3,207,930
Accumulated depreciation and write-downs			
Balance at 1 January 2021	3,243	1,286,801	1,290,044
Charge for the year	438	119,651	120,089
Write-down	-	21,685	21,685
Disposals	(3,378)	(256,067)	(259,445)
Balance at 31 December 2021	303	1,172,070	1,172,373
Charge for the period	16	60,368	60,384
Write-down	4	4,335	4,339
Disposals	-	(68,124)	(68,124)
Balance at 30 June 2022	323	1,168,649	1,168,972
Carrying value at 30 June 2022	23	2,038,935	2,038,958
Carrying value at 31 December 2021	43	2,100,387	2,100,430

The cost of rolling stock and other railway assets at 30 June 2022 includes capitalised interest of £45,282,000 (31 December 2021: £45,282,000). The capitalisation rate used is the rate of interest attaching to the Group's borrowings attributable to the acquisition of rolling stock.

Other assets relate to equipment, fixtures and fittings.

The depreciation charge on rolling stock is included within cost of sales in the Income statement. The depreciation on other assets is included in administrative expense. Following a review of recoverable values, the Group has written down the net book value of rolling stock by £4,335,000 (2021: £21,685,000). This reflects the extent to which the net book value of rolling stock exceeded recoverable value.

Additions include a charge from other comprehensive income (being a realised loss on cashflow hedges) of £142,000 (31 December 2021: £1,188,000 credit), bank loan capitalised interest of £nil (31 December 2021: £32,000).

All rolling stock assets are subject to operating lease arrangements or are available to lease under such 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	-	-	1,460	1,460
Depreciation charge	-	-	(424)	(424)
Re-measurement*	-	-	6,526	6,526
As at 30 June 2022	-	-	7,562	7,562

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2022

13 Right-of-use assets (continued)

	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)	(10)	(196)	(429)
Re-measurement**	(1,731)	-	-	(1,731)
As at 31 December 2021	-	-	1,460	1,460

*This relates to the re-measurement of the depot lease right-of-use assets as a consequence of an increase in rentals payable under the agreements. There is a corresponding adjustment to the lease liabilities (see note 17).

**The re-measurement relates to the Group's reassessment of its option to early terminate the lease of premises at 210 Pentonville Road, London, N1 9JY, United Kingdom (see note 17). The reassessment led to a profit of £57,000 in the 6 months ended 31 December 2021.

14 Finance lease receivables

	30 June 2022 £'000	31 December 2021 £'000
Gross investment in finance leases		
<i>Amounts falling due:</i>		
No later than one year	1,381	1,381
Later than one year and no later than five years	1,612	2,302
Gross investment in finance leases	2,993	3,683
Unearned finance income	(232)	(348)
Net investment in finance leases less provisions	2,761	3,335
	30 June 2022 £'000	31 December 2021 £'000
Amortisation of finance lease receivables:		
<i>Amounts falling due:</i>		
No later than one year	957	1,171
Later than one year and no later than five years	1,804	2,164
Present value of minimum lease receivables	2,761	3,335
Aggregate finance lease income receivable in the period ended 30 June 2022/30 June 2021	205	248

The Group has entered into a finance leasing arrangement for one of its depots. This lease is due to expire in 2.5 years' time.

The fair value of fixed rate finance lease receivables is calculated by discounting future minimum lease receivables, using current interest rates applicable to the remaining term of the lease. The fair values are not considered to be significantly different from the carrying value.

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.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2022

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 2022 £'000	31 December 2021 £'000
Deferred tax liabilities	99,183	102,289
Deferred tax assets	(35,515)	(47,690)
	<u>63,668</u>	<u>54,599</u>

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, 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.

The following are the major deferred tax (assets)/liabilities recognised by the Group and movements thereon during the current 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 2021	81,826	(578)	(30,875)	(1,694)	(9,155)	(259)	39,265
(Credit)/charge to income statement	(2,824)	-	1,724	(78)	-	45	(1,133)
Charge to other comprehensive income	-	-	1,503	817	-	-	2,320
Effect of change in tax rates:							
- Income statement	23,479	(147)	(3,011)	(25)	(1,128)	(50)	19,118
- Other comprehensive income	-	-	(5,239)	(277)	-	-	(5,516)
Prior year adjustment	(192)	113	(67)	-	691	-	545
At 1 January 2022	<u>102,289</u>	<u>(612)</u>	<u>(35,965)</u>	<u>(1,257)</u>	<u>(9,592)</u>	<u>(264)</u>	<u>54,599</u>
(Credit)/charge to income statement	(2,591)	-	3,381	-	-	23	813
Charge to other comprehensive income	-	-	2,185	1,183	-	-	3,368
Effect of change in tax rates:							
- Income statement	(815)	-	1,068	-	-	7	260
- Other comprehensive income	-	-	690	374	-	-	1,064
Prior year adjustment	-	-	-	-	3,564	-	3,564
At 30 June 2022	<u>98,883</u>	<u>(612)</u>	<u>(28,641)</u>	<u>300</u>	<u>(6,028)</u>	<u>(234)</u>	<u>63,668</u>

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 2022 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 rates" shown in the above analysis.

The Group has an unrecognised deferred tax asset of £21,969,000 at 30 June 2022 (31 Dec 2021: £17,183,000) in relation to interest expense disallowed for tax purposes in the financial year under the CIR rules.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2022

16 Trade and other receivables

	30 June 2022 £'000	31 December 2021 £'000
Trade receivables	16,224	9,380
Other receivables	29	2,695
	<u>16,253</u>	<u>12,075</u>

Trade receivables includes £3,486,000 (31 December 2021: £4,179,000) in relation to operating lease rentals that have been accrued and for which a 12 month expected credit loss allowance of £543,000 is carried (31 December 2021: £622,000). During the period there has been a release of £79,000 in the expected credit loss allowance (6 months ended 30 June 2021: £23,000 release). 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 2022	372	-	1,931	2,303
Interest charge	-	-	118	118
Payments	(372)	-	(670)	(1,042)
Re-measurement*	-	-	6,526	6,526
As at 30 June 2022	<u>-</u>	<u>-</u>	<u>7,905</u>	<u>7,905</u>

	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
Interest charge	27	-	42	69
Payments	(744)	(18)	(281)	(1,043)
Re-measurement**	(1,788)	-	-	(1,788)
As at 31 December 2021	<u>372</u>	<u>-</u>	<u>1,931</u>	<u>2,303</u>

*This relates to the re-measurement of the depot lease liabilities as a consequence of an increase in rentals payable under the agreements. There is a corresponding adjustment to the right-of-use assets.

**The re-measurement relates to the Group's reassessment of its option to early terminate the lease of premises at 210 Pentonville Road, London, N1 9JY, United Kingdom. The reassessment led to a profit of £57,000 in the 6 months ended 31 December 2021.

Total lease liabilities can be analysed as follows:

	30 June 2022 £'000	31 December 2021 £'000
Current	614	603
Non-current	7,291	1,700
	<u>7,905</u>	<u>2,303</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2022

17 Lease liabilities (continued)

Maturity of total lease liabilities

The maturity profile of total undiscounted lease liabilities at 30 June 2022 was as follows:

	30 June 2022 £'000	31 December 2021 £'000
Current	<u>769</u>	<u>640</u>
In more than one year but not more than two years	769	268
In more than two years but not more than five years	1,895	466
In more than five years	<u>5,609</u>	<u>1,171</u>
Non Current	<u>8,273</u>	<u>1,905</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 2022 £'000	31 December 2021 £'000
Non-current assets			
Fair value - excluding accrued interest	<i>See below</i>	30,112	16,415
Accrued interest (payable)/receivable	24	<u>(887)</u>	<u>1,525</u>
		29,225*	17,940
Non-current liabilities			
Fair value - excluding accrued interest	<i>See below</i>	(137,943)	(152,994)
Accrued interest payable	24	<u>(1,409)</u>	<u>(3,873)</u>
		(139,352)	(156,867)
Total derivative financial instruments (excluding accrued interest)		<u>(107,831)</u>	<u>(136,579)</u>
Total accrued interest	24	<u>(2,296)</u>	<u>(2,348)</u>

*In arriving at the fair value of £29,225,000, accrued interest payable of £887,000 is deducted and therefore has been presented as a component of the asset in the above table.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2022

18 Derivative financial instruments (continued)

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

30 June 2022	Maturity	Notional Amount	Fair Value Amount	Change in fair value used for calculating hedge ineffectiveness
		£'000	£'000	£'000
Non-current assets				
Interest rate swap contracts	April 2040	(300,000)	26,990	-
Interest rate swap contracts – hedge accounted	October 2049	(237,500)	2,803	11,459
Interest rate swap contracts	July 2045	(49,760)	319	-
		<u>(587,260)</u>	<u>30,112</u>	<u>11,459</u>
Non-current liabilities				
Interest rate swap contracts	June 2040	300,000	(97,369)	-
Interest rate swap contracts	July 2045	(198,656)	(3,144)	-
Interest rate swap contracts	July 2045	248,416	(37,430)	-
		<u>349,760</u>	<u>(137,943)</u>	<u>-</u>
Total derivative financial instruments		<u>(237,500)</u>	<u>(107,831)</u>	<u>11,459</u>
31 December 2021	Maturity	Notional Amount	Fair Value Amount	Change in fair value used for calculating hedge ineffectiveness
		£'000	£'000	£'000
Non-current assets				
Interest rate swap contracts	July 2045	249,342	16,415	-
Non-current liabilities				
Interest rate swap contracts	April 2040	(300,000)	(36,668)	-
Interest rate swap contracts	June 2040	300,000	(44,024)	-
Interest rate swap contracts	July 2045	(249,342)	(63,646)	-
Interest rate swap contracts – hedge accounted	October 2049	(237,500)	(8,656)	4,520
		<u>(486,842)</u>	<u>(152,994)</u>	<u>4,520</u>
Total derivative financial instruments		<u>(237,500)</u>	<u>(136,579)</u>	<u>4,520</u>

The fair value of derivative financial instruments at 30 June 2022 is based on market rates at 30 June 2022. The comparative fair values at 31 December 2021 are based on market rates at 31 December 2021.

Notional of derivative financial instruments not designated in hedge relationship offset each other in periods up to 2045. The instruments designated in a hedge relationship are forward starting interest rate swaps that hedge highly probable forecast variable rate funding costs from 2040 to 2049.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2022

18 Derivative financial instruments (continued)

The Group's swap contracts that are included in a hedge accounting relationship, are used to manage its overall hedging ratio.

Movement in fair value of Derivative financial instruments

	Interest rate swap contracts		Total £'000
	Not hedge accounted £'000	Current hedge accounted £'000	
Balance as at 1 January 2022	(127,923)	(8,656)	(136,579)
Unrealised gain through the income statement			
- Hedge ineffectiveness	-	2,629	2,629
- Change in fair value of non-hedge accounted derivatives	17,289	-	17,289
	<u>17,289</u>	<u>2,629</u>	<u>19,918</u>
Unrealised gain through other comprehensive income	-	8,830	8,830
Balance as at 30 June 2022	(110,634)	2,803	(107,831)
Balance as at 1 January 2021	(140,615)	(13,176)	(153,791)
Unrealised gain through the income statement			
- Hedge ineffectiveness	-	626	626
- Change in fair value of non-hedge accounted derivatives	12,692	-	12,692
	<u>12,692</u>	<u>626</u>	<u>13,318</u>
Unrealised gain through other comprehensive income	-	3,894	3,894
Balance as at 31 December 2021	(127,923)	(8,656)	(136,579)

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

Movement in Hedging reserve for the 6 months ended 30 June 2022

	Foreign exchange instruments	Interest rate swap contracts		Total £'000
	Current hedge accounted £'000	Current hedge accounted £'000	Terminated hedge accounted £'000	
Balance as at 1 January 2022	(153)	(1,677)	72,066	70,236
Unrealised gain through other comprehensive income	-	(8,830)	-	(8,830)
Effective portion of changes in fair value of cash flow hedges	-	(8,830)	-	(8,830)
Transfer of loss on cash flow hedges to Income statement	-	-	(407)	(407)
Transfer to property, plant and equipment	(142)	-	-	(142)
Transfer to income statement	-	-	(2,121)	(2,121)
Income tax on other comprehensive income	35	2,208	632	2,875
Balance as at 30 June 2022	(260)	(8,299)	70,170	61,611

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2022

18 Derivative financial instruments (continued)

Movement in Hedging reserve for the year ended 31 December 2021

	Foreign exchange instruments	Interest rate swap contracts		Total £'000
	Current hedge accounted	Current hedge accounted	Terminated hedge accounted	
	£'000	£'000	£'000	
Balance as at 1 January 2021	(1,115)	1,343	81,653	81,881
Unrealised gain through other comprehensive income	-	(3,894)	-	(3,894)
Effective portion of changes in fair value of cash flow hedges	-	(3,894)	-	(3,894)
Transfer of loss on cash flow hedges to Income statement	-	-	(961)	(961)
Transfer to property, plant and equipment	1,189	-	(1)	1,188
Transfer to income statement	-	-	(4,242)	(4,242)
Income tax on other comprehensive income	(227)	874	(4,383)	(3,736)
Balance as at 31 December 2021	(153)	(1,677)	72,066	70,236

18.1 Foreign exchange forward contracts

The Company has no outstanding foreign exchange forward contracts as they were all settled in 2020.

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, any exchange differences arising on translating the EUR cash deposits to sterling, are wholly recognised in the hedging reserve. The hedging reserve therefore contains balances relating to foreign exchange differences arising on EURO cash deposits that hedge future committed rolling stock expenditure.

During the period a loss of £142,000 (31 December 2021: £1,189,000 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.

18.2 Interest rate swap contracts

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

Cumulative unrealised losses of £70,170,000 (31 December 2021: £72,066,000) 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. At 30 June 2022, the Group held interest rate swaps with a fair value liability of £110,634,000 (31 December 2021: £127,923,000 liability) which were not designated in hedging relationships for accounting purposes.

As at 30 June 2022, the Group's hedge accounted swaps were deemed to be effective and the fair value asset associated to these interest rate swaps was £2,803,000 asset (31 December 2021: £8,656,000 liability).

Hedge ineffectiveness gain of £2,629,000 (6 months ended 30 June 2021: £1,267,000 gain) comprised the difference between the change in the fair value of the:

- hedged item used as a basis of recognising hedge ineffectiveness loss of £8,830,000 (6 months ended 30 June 2021: £4,762,000 loss); and
- interest rate swaps used as a basis of recognising hedge ineffectiveness gain of £11,459,000 (6 months ended 30 June 2021: £6,029,000 gain).

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

for the 6 months ended 30 June 2022

18 Derivative financial instruments (continued)

18.2 Interest rate swap contracts (continued)

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 2021: £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

During 2021, the Group replaced LIBOR as the reference interest rate in all financial instruments that contained LIBOR as the benchmark interest rate. Instruments impacted are interest rate swaps and borrowings, as described in notes 18 and 23. Interest was paid under the new rate for the first time in early 2022. In each case, LIBOR has been replaced by SONIA plus an appropriate credit adjustment spread, determined at the date of change. The change in rate had no material impact and the replacement rate does not introduce any significant change in risk. Therefore, the Group's current risk management strategy remains in place.

19 Cash and cash equivalents

	30 June 2022 £'000	31 December 2021 £'000
Cash and cash equivalents	238,982	225,064

Within cash and cash equivalents there is a deposit of £2,600,000 (31 December 2021: £2,600,000) which provides security for the Profit Participating Shares issued by a subsidiary. £500,000 of cash and cash equivalents (31 December 2021: £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 to, 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 2022 £'000	31 December 2021 £'000
Current	27,404	11,290
Long term	186,314	191,273
	213,718	202,563

21 Trade and other payables

	30 June 2022 £'000	31 December 2021 £'000
Trade payables	20,294	22,373
Other payables	376	-
Lease rentals received in advance	6,930	26,039
Maintenance, acquisition and administrative accruals	18,272	18,894
Other accruals	244	244
	46,116	67,550

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

for the 6 months ended 30 June 2022

22 Inventory

	30 June 2022 £'000	31 December 2021 £'000
Rolling stock spares	76	151

Write-down in the value of inventories recognised within cost of sales during the period was £75,000 (6 months ended 30 June 2021: £75,000). Stock is measured at the lower of cost and net realisable value.

23 Borrowings

	30 June 2022 £'000	31 December 2021 £'000
Current		
Interest accrued	17,584	18,053
Bonds	54,212	54,212
Capitalised transaction costs	(518)	(518)
	<u>71,278</u>	<u>71,747</u>
Non-current		
Bonds	1,854,164	1,879,606
Capitalised transaction costs	(5,381)	(5,656)
Profit Participating Shares	2,500	2,500
Loan from Eversholt UK Rails Limited	340,562	340,562
	<u>2,191,845</u>	<u>2,217,012</u>
Total borrowings	<u>2,263,123</u>	<u>2,288,759</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 2022 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	Interest rate Semi-annual coupon	Due date
£271m	6.359%	2025
£371m*	6.698%	2022-2035
£100m	SONIA + margin	2028-2036
£90m	Fixed rate	2030
£50m	Fixed rate	2028-2036
£100m	Fixed rate	2026-2031
£100m	Fixed rate	2037
£400m	3.529%	2034-2042
£462m*	2.742%	2022-2040

None of the Bonds are puttable.

*During the period, £27,106,000 of the bond was repaid in 2022 (£12,821,000 June 2021) in accordance with the terms of the bond.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2022

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 SONIA 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.

In 2021, the Group replaced LIBOR as the reference rate in its financial instruments (see note 18.3).

Maturity of borrowings

The maturity profile of the carrying amount of the Group’s non-current borrowings at 30 June 2022 was as follows:

	30 June 2022 £’000	31 December 2021 £’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	433,986
In more than five years	1,709,028	1,734,470
Transactions costs	(5,381)	(5,656)
	<u>2,191,845</u>	<u>2,217,012</u>

24 Reconciliation of liabilities arising from financing activities

30 June 2022	As at 31 December 2021 £’000	Non-cash finance expense £’000	Cash Flows payments £’000	As at 30 June 2022 £’000
Financing activities attributable to:				
Liabilities				
Bonds	1,933,818	1,664	(27,106)	1,908,376
Bond interest accrued	17,966	41,961	(42,423)	17,504
Swap interest accrued	2,348	3,707	(3,759)	2,296
Loan from Eversholt UK Rails Limited	340,562	-	-	340,562
Eversholt UK Rails Limited accrued interest	-	23,749	(23,749)	-
Profit Participating Shares	2,500	-	-	2,500
Other loan	-	-*	-	-
Profit Participating Shares dividend accrued	87	126	(133)	80
	<u>2,297,281</u>	<u>71,207</u>	<u>(97,170)</u>	<u>2,271,318</u>
Assets				
Capitalised transaction costs	<u>(6,174)</u>	<u>275</u>	<u>-</u>	<u>(5,899)</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2022

24 Reconciliation of liabilities arising from financing activities (continued)

30 June 2021 (continued)	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>203</u>	<u>(118)</u>	<u>(6,428)</u>

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

25 Provisions

The provision related to dilapidations on leased office buildings and has now been settled.

	Total 30 June 2022 £'000	Total 31 December 2021 £'000
Balance at beginning of the year	165	165
Utilised	(165)	-
Balance at the end of the period	<u>-</u>	<u>165</u>

26 Share capital

	30 June 2022 £	31 December 2021 £
Authorised 102 Ordinary shares of £1 each (2021: 102)	<u>102</u>	<u>102</u>
Allotted, called up and fully paid 102 Ordinary shares of £1 each (2021: 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.

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

for the 6 months ended 30 June 2022

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 2021 consolidated annual financial statements.

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

Group	Carrying value £'000	Contractual cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
30 June 2022						
Financial assets						
Fair value through profit or loss						
- Derivative financial instruments*	29,225	36,039	-	(144)*	11,854	24,329
Amortised cost						
- Finance lease receivables	2,761	2,993	-	1,381	1,612	-
- Trade and other receivables	16,253	16,253	-	16,253	-	-
- Cash and cash equivalents	238,982	238,982	238,982	-	-	-
	<u>287,221</u>	<u>294,267</u>	<u>238,982</u>	<u>17,490</u>	<u>13,466</u>	<u>24,329</u>
Financial liabilities						
Fair value through profit or loss						
- Derivative financial instruments	139,352	170,958	-	7,346	41,559	122,053
Amortised cost						
- Trade and other payables	46,116	46,116	-	46,116	-	-
- Borrowings	2,269,022	3,090,189	-	138,720	819,346	2,132,123
	<u>2,454,490</u>	<u>3,307,263</u>	<u>-</u>	<u>192,182</u>	<u>860,905</u>	<u>2,254,176</u>
Total financial instruments	<u>(2,167,269)</u>	<u>(3,012,996)</u>	<u>238,982</u>	<u>(174,692)</u>	<u>(847,439)</u>	<u>(2,229,847)</u>

*For the purpose of the above table, the accrued interest payable of £144,000 due within one year has been included as a "negative" asset on the basis that the accrued interest payable is an integral part of the derivative's fair value.

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 2021						
Financial assets						
Fair value through profit or loss						
- Derivative financial instruments	17,940	19,877	-	2,777	972	16,128
Amortised cost						
- Finance lease receivables	3,335	3,683	-	1,381	2,302	-
- Trade and other receivables	12,075	12,075	-	12,075	-	-
Cash and cash equivalents	225,064	225,064	225,064	-	-	-
	<u>258,414</u>	<u>260,699</u>	<u>225,064</u>	<u>16,233</u>	<u>3,274</u>	<u>16,128</u>
Financial liabilities						
Fair value through profit or loss						
- Derivative financial instruments	156,867	172,716	-	10,283	30,716	131,717
Amortised cost						
- Trade and other payables	67,550	67,550	-	67,550	-	-
- Borrowings	2,294,933	3,090,189	-	138,720	819,346	2,132,123
	<u>2,519,350</u>	<u>3,330,455</u>	<u>-</u>	<u>216,553</u>	<u>850,062</u>	<u>2,263,840</u>
Total financial instruments	<u>(2,260,936)</u>	<u>(3,069,756)</u>	<u>225,064</u>	<u>(200,320)</u>	<u>(846,788)</u>	<u>(2,247,712)</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2022

27 Risk management (continued)

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

	30 June 2022 £'000	31 December 2021 £'000
Borrowings as per above	2,269,022	2,294,933
Less: transaction costs	(5,899)	(6,174)
Borrowings per note 23	<u>2,263,123</u>	<u>2,288,759</u>

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 £'000	Fair Value		
			Level 1 £'000	Level 2 £'000	Level 3 £'000
30 June 2022					
Financial assets					
Fair value through profit or loss					
- Derivative financial instruments	18	29,225		29,225	
Amortised cost					
- Finance lease receivables	14	2,761			
- Trade and other receivables	16	16,253			
- Cash and cash equivalents	19	238,982			
Total Financial assets		<u>287,221</u>			
Group					
30 June 2022					
Financial liabilities					
Fair value through profit or loss					
- Derivative financial instruments	18	139,352		139,352	
Amortised cost					
- Publicly traded bonds	23	1,468,376	1,486,186		
- Fixed rate borrowings	23	340,000		328,099	
- Other borrowings	23	460,646			
- Trade and other payables	21	46,116			
Total Financial liabilities		<u>2,454,490</u>			
Total financial instruments		<u>(2,167,269)</u>			

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2022

28 Financial instruments (continued)

Group	Note	Carrying amount	Fair Value		
			Level 1	Level 2	Level 3
31 December 2021		£'000	£'000	£'000	£'000
Financial assets					
Fair value through profit or loss					
- Derivative financial instruments	18	17,940		17,940	
Amortised cost					
- Finance lease receivables	14	3,335			
- Trade and other receivables	16	12,075			
- Cash and cash equivalents	19	225,064			
Total Financial assets		<u>258,414</u>			
Financial liabilities					
Fair value through profit or loss					
- Derivative financial instruments	18	157,867		156,867	
Amortised cost					
- Publicly traded bonds	23	1,493,818	1,784,692		
- Fixed rate borrowings	23	340,000		383,568	
- Other borrowings	23	461,115			
- Trade and other payables	21	67,550			
Total Financial liabilities		<u>2,519,350</u>			
Total financial instruments		<u>(2,260,936)</u>			

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

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

	30 June 2022	31 December 2021
	£'000	£'000
Total financial liabilities as per above	2,454,490	2,519,350
Derivative financial instruments	(139,352)	(157,867)
Transaction costs	(5,899)	(6,174)
Trade and other payables	(46,116)	(67,550)
Borrowings per note 23	<u>2,263,123</u>	<u>2,287,759</u>

29 Retirement benefit asset/(obligation)

At 31 December 2021, there was a net defined benefit obligation of £5,026,000. At 30 June 2022, there is a defined benefit asset of £1,200,000, the movement of £6,226,000 during the period reflecting the increase in the rate used to discount the benefit obligations under the scheme (equivalent to £4,669,000 reflecting the deferred tax impact see note 15).

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2022

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 2022 £'000	31 December 2021 £'000
Within one year	283,216	297,089
1-2 years	235,319	191,480
2-3 years	220,409	175,108
3-4 years	183,130	109,065
4-5 years	181,171	94,322
Over 5 years	371,859	82,312
	<u>1,475,104</u>	<u>949,376</u>
Aggregate operating lease rentals receivable in the period/year	<u>164,164</u>	<u>359,741</u>

The Group as lessee:

The Group subleased certain right-of-use assets in relation to land and has recognised income of £89,000 during the period (31 December 2021: £145,000), which is included in the rentals receivables shown above.

31 Capital commitments

In respect of rolling stock capital expenditure:

	30 June 2022 £'000	31 December 2021 £'000
Authorised and contracted	<u>43,778</u>	<u>34,111</u>

The above represents all capital commitments.

32 Dividends

For the period ended 30 June 2022, dividends of £21,000,000 were paid (6 months ended 30 June 2021: £41,800,000).

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.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2022

33 Related party transactions (continued)

Identity of related parties (continued)

As at 30 June 2022 the Group owed £340,562,000 (31 December 2021: £340,562,000) to its immediate parent Eversholt UK Rails Limited, disclosed in note 23. Interest on these loans is disclosed in note 7.

The Group was charged a consultancy service fee of £60,000 (6 months ended to 30 June 2021: £60,000) by Eversholt UK Rails Limited and received a management fee of £31,000 (6 months ended to 30 June 2021: £60,000) from Eversholt UK Rails Limited during the first six months of the year.

34 Contingent liabilities

There were no contingent liabilities for the Group at 30 June 2022.

35 Subsequent events

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

Unaudited