

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

**Unaudited, condensed, consolidated
interim financial statements
for the 6 months ended 30 June 2023**

Registered No: 10783654

Condensed, consolidated interim financial statements
for the 6 months ended 30 June 2023

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Unaudited

Condensed, consolidated income statement

for the 6 months ended 30 June 2023

		6 months ended	
	Note	30 June 2023	30 June 2022
		£'000	£'000
Revenue			
Finance lease income	4.1	148	205
Operating lease income	4.1	151,074	164,164
Maintenance income	4.1	13,707	20,728
Other income	4.1	923	1,191
Total revenue		165,852	186,288
Cost of sales	5	(63,450)	(79,507)
Gross profit		102,402	106,781
Finance income	6	6,410	1,103
Finance expense	7	(80,759)	(75,579)
Net fair value gain on derivative financial instruments	18	6,120	19,918
Administrative expense	8	(11,589)	(13,829)
Gain on disposal of property, plant and equipment		225	2,398
Profit before tax		22,809	40,792
Income tax charge	11	(10,472)	(11,787)
Profit for the period		12,337	29,005

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 2023

		6 months ended	
	Note	30 June 2023	30 June 2022
		£'000	£'000
Profit for the period		12,337	29,005
Other comprehensive income			
Actuarial (loss)/gain on defined benefit scheme	28	(1,479)	6,226
Tax credit/(charge) in respect of actuarial movement on defined benefit scheme	15	370	(1,557)
Effective portion of changes in fair value of cash flow hedges	18	3,285	8,830
Transfer of (gain)/loss on cash flow hedges to property, plant and equipment	18	(300)	142
Transfer of loss on cash flow hedges to the income statement	18	2,461	2,528
Tax charge on changes ineffective portion of changes in fair value of cash flow hedges	18	(1,309)	(2,875)
Total comprehensive income for the period		15,365	42,299

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 2023

		30 June 2023 £'000	31 December 2022 £'000
Assets	Note		
Non-current assets			
Property, plant and equipment	12	1,927,835	1,971,413
Right-of-use assets	13	6,932	7,247
Finance lease receivables	14	284	900
Derivative financial instruments	18	154,251	124,710
Retirement benefit asset	28	1,200	2,679
		<u>2,090,502</u>	<u>2,106,949</u>
Current assets			
Finance lease receivables	14	1,260	1,265
Contract assets	4.2	9,993	6,808
Trade and other receivables	16	11,063	15,200
Current tax	11	9,727	9,727
Cash and cash equivalents	19	300,967	270,818
		<u>333,010</u>	<u>303,818</u>
Total assets		<u>2,423,512</u>	<u>2,410,767</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	21	48,960	66,510
Contract liabilities	4.2	8,625	8,625
Lease liabilities	17	627	617
Current tax		6,364	3,024
Borrowings	22	70,998	71,468
Other liabilities	20	19,095	22,450
		<u>154,669</u>	<u>172,694</u>
Non-current liabilities			
Borrowings	22	2,141,139	2,166,395
Deferred tax	15	51,399	51,296
Contract liabilities	4.2	11,500	929
Other liabilities	20	212,892	189,336
Derivative financial instruments	18	233,688	212,990
Lease liabilities	17	6,665	7,132
		<u>2,657,283</u>	<u>2,628,078</u>
Total liabilities		<u>2,811,952</u>	<u>2,800,772</u>
Equity			
Share capital	25	-	-
Other reserve		13,672	13,672
Accumulated deficit		(350,087)	(347,515)
Hedging reserve	18	(52,025)	(56,162)
Total equity		<u>(388,440)</u>	<u>(390,005)</u>
Total equity and liabilities		<u>2,423,512</u>	<u>2,410,767</u>

Condensed, consolidated statement of financial position (continued)
as at 30 June 2023

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 4 September 2023. 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 2023

	Note	6 months ended 30 June 2023 £'000	6 months ended 30 June 2022 £'000
Cash flow from operating activities			
Profit before tax		22,809	40,792
Adjustments for:			
- Depreciation	12	49,634	60,384
- Write down of rolling stock	12	4,218	4,339
- Depreciation of right-of-use assets	13	315	424
- Write down in the value of inventory	5	-	75
- Net fair value gain on derivative financial instruments	18	(6,120)	(19,918)
- Unwinding of capitalised finance charges	7	242	275
- Profit on disposal of property, plant and equipment		(225)	(2,398)
- Finance income	6	(6,410)	(1,103)
- Finance expense	7	80,517	75,304
Operating cash flow before changes in working capital		144,980	158,174
Decrease in finance lease receivables	14	621	574
Decrease/(increase) in trade and other receivables and contract assets	4.2,16	952	(3,507)
Increase in contract and other liabilities and provisions	4.2,20,24	26,169	10,844
Decrease in provisions	25	-	(165)
Decrease in trade and other payables	21	(17,316)	(21,449)
Cash generated by operating activities		155,406	144,471
Taxation paid		(7,968)	(10,859)
Interest received	6	6,410	1,103
Net cash generated by operating activities		153,848	134,715
Cash flow from investing activities			
Acquisition of property, plant and equipment		(10,574)	(3,109)
Proceeds from sale of property, plant and equipment		225	2,398
Net cash utilised in investing activities		(10,349)	(711)
Cash flow from financing activities			
External borrowings paid	23	(27,107)	(27,106)
Interest paid on bonds	23	(42,835)	(42,423)
Interest paid on loan from Eversholt UK Rails Limited	23	(23,749)	(23,749)
Profit Participating Shares interest paid	23	(174)	(133)
Interest paid on swaps	23	(4,323)	(3,759)
Other finance costs paid		(828)	(874)
Repayment of lease liability	17	(534)	(1,042)
Dividends paid	31	(13,800)	(21,000)
Net cash utilised in financing activities		(113,350)	(120,086)
Net increase in cash and cash equivalents		30,149	13,918
Cash and cash equivalents at the beginning of the period		270,818	225,064
Cash and cash equivalents at the end of the period	19	300,967	238,982

Condensed, consolidated statement of changes in equity
for the 6 months ended 30 June 2023

	Note	Share capital £'000	Other reserve £'000	Hedging reserve £'000	Accumulated deficit £'000	Total equity £'000
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
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	-	-	2,528	-	2,528
Income tax on other comprehensive income	18	-	-	(2,875)	-	(2,875)
Actuarial gain on defined benefit scheme after tax	28	-	-	-	4,669	4,669
Total comprehensive income		-	-	8,625	33,674	42,299
Dividend paid	31	-	-	-	(21,000)	(21,000)
Balance at 30 June 2022		-	13,672	(61,611)	(352,981)	(400,920)
Balance at 1 January 2023		-	13,672	(56,162)	(347,515)	(390,005)
Profit for the period		-	-	-	12,337	12,337
Effective portion of changes in fair value of cash flow hedges	18	-	-	3,285	-	3,285
Transfer of gain on cash flow hedges to property, plant and equipment	18	-	-	(300)	-	(300)
Transfer of loss on cash flow hedges to the income statement	7/18	-	-	2,461	-	2,461
Income tax on other comprehensive income	18	-	-	(1,309)	-	(1,309)
Actuarial loss on defined benefit scheme after tax	28	-	-	-	(1,109)	(1,109)
Total comprehensive income		-	-	4,137	11,228	15,365
Dividend paid	31	-	-	-	(13,800)	(13,800)
Balance at 30 June 2023		-	13,762	(52,025)	(350,087)	(388,440)

Dividends of £135,294 per share were paid during the period (6 months ended 30 June 2022: £205,882 per share).

Notes to the condensed, consolidated interim financial statements for the 6 months ended 30 June 2023

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 25). 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 sterling (£'000), which is also the Company's functional currency. 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 2022. 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 2022.

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 unrestricted cash of £297,867,000 (note 19) undrawn committed borrowing facilities of £450,000,000 as at 30 June 2023; 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 2023

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 2022, except for the adoption of new standards effective as of 1 January 2023.

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”. Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed financial statements.

IFRS 17 Insurance Contracts

In 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure.

IFRS 17 replaces IFRS 4 Insurance Contracts issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and reinsurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. IFRS 17’s overall objective is to provide an accounting model for insurance contracts that is more useful and consistent.

Definition of Accounting Estimates - Amendments to IAS 8

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their “significant” accounting policies with a requirement to disclose their “material” accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments may affect the accounting policy disclosures in the Group’s annual consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2023

4 Revenue from contracts with customers

4.1 Revenue information

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

	6 months ended	
	30 June 2023	30 June 2022
	£'000	£'000
Operating lease rental income	151,074	164,164
Finance lease rental income	148	205
Revenue from contracts with customers		
- Maintenance income	13,707	20,728
- Other income	923	1,191
	<u>165,852</u>	<u>186,288</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 2023 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 2023	31 December 2022
	£'000	£'000
Within 1 year	36,035	42,171
1-5 years	114,802	116,831
	<u>150,837</u>	<u>159,002</u>

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

for the 6 months ended 30 June 2023

4 Revenue (continued)

4.1 Revenue information (continued)

Other income

Other income primarily relates to the provision in the UK of asset management services £923,000 (6 months ended 30 June 2022: £1,191,000).

The transaction price allocated to (partially) unsatisfied performance obligations at 30 June 2023 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 2023 £'000	31 December 2022 £'000
Within 1 year	2,697	2,600
1-2 years	707	1,600
2-5 years	-	667
	3,404	4,867

Revenue is recognised over time as services are provided (when the customers receive the benefit), as determined by reference to transaction prices agreed with customers. There are no contract balances or trade receivables held in relation to this.

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 2023 £'000	31 December 2022 £'000	1 January 2022 £'000
Contract assets	9,993	6,808	2,855
Contract liabilities	20,125	9,554	10,567
Trade receivables	10,891	7,793	9,380

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 £9,554,000 (2022: £10,567,000) recognised in contract liabilities at the beginning of the year will be recognised in 2023.

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 2023

5 Cost of sales

	6 months ended	
	30 June 2023	30 June 2022
	£'000	£'000
Depreciation – rolling stock and other railway assets (see note 12)	(49,606)	(60,368)
Write-down of rolling stock (see note 12)	(4,218)	(4,335)
Depreciation – right-of-use asset – other railway assets (see note 13)	(315)	(424)
Maintenance cost	(9,311)	(14,305)
Write down in the value of inventories	-	(75)
	<u>(63,450)</u>	<u>(79,507)</u>

6 Finance income

	6 months ended	
	30 June 2023	30 June 2022
	£'000	£'000
Bank interest	<u>6,410</u>	<u>1,103</u>

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

7 Finance expense

	6 months ended	
	30 June 2023	30 June 2022
	£'000	£'000
Interest and other expenses		
Interest payable to Eversholt UK Rails Limited	(23,749)	(23,749)
Profit participating preference share dividend	(171)	(126)
Interest payable on bonds	(42,361)	(41,961)
Bonds – other finance costs	(1,616)	(1,664)
Fees payable on undrawn committed borrowing facilities	(827)	(856)
Amortisation of capitalised transaction cost	(242)	(275)
Finance expense in relation to financial liabilities carried at amortised cost	<u>(68,966)</u>	<u>(68,631)</u>
Transfer from Hedging reserve (see note 18)	(2,461)	(2,528)
Interest payable in relation to swaps	(4,885)	(3,707)
Lease liability interest (see note 17)	(77)	(118)
Other finance costs	(4,370)	(595)
Total	<u>(80,759)</u>	<u>(75,579)</u>

8 Administrative expense

Administrative expense includes:

	30 June 2023	30 June 2022
	£'000	£'000
Depreciation – other assets (see note 12)	(28)	(16)
Defined contribution pension costs	(439)	(394)
Fees payable to the Company's auditor for the audit of the Group's annual financial statements	(375)	(479)

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2023

9 Staff numbers and costs

The average monthly 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 2023	30 June 2022
Directors	5	5
Operations	40	44
Administration	62	53
	<u>107</u>	<u>102</u>

The aggregate payroll costs of these persons were as follows:

	6 months ended	
	30 June 2023 £'000	30 June 2022 £'000
Wages and salaries	(6,612)	(6,159)
Social security costs	(912)	(826)
Contributions to defined contribution pension scheme	(439)	(394)
Defined benefit pension scheme service cost	(87)	(89)
	<u>(8,050)</u>	<u>(7,468)</u>

10 Directors' emoluments

Directors' emoluments are borne by Eversholt Rail Limited.

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

11 Income tax charge

Amounts include the following tax (charge)/credit:

	Note	6 months ended	
		30 June 2023 £'000	30 June 2022 £'000
Current tax			
UK Corporation tax			
- On current period profit		(11,308)	(9,091)
- On prior years' results		-	1,941
		<u>(11,308)</u>	<u>(7,150)</u>
Deferred tax			
Origination and reversal of temporary differences	15	907	(813)
Change in tax rates	15	(71)	(260)
Adjustment in respect of prior year	15	-	(3,564)
		<u>836</u>	<u>(4,637)</u>
Income tax charge		<u>(10,472)</u>	<u>(11,787)</u>

Corporation tax has been calculated by reference to the blended current tax rate of 23.5%.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2023

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 2023 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 23.5% (6 months ended 30 June 2022: 19.0%).

	6 months ended	
	30 June 2023	30 June 2022
	£'000	£'000
Profit before tax	22,809	40,792
Taxation at corporation tax rate 23.5% (2022: 19.0%)	(5,362)	(7,750)
Change in tax rates	(71)	(260)
Prior year adjustment	-	(1,623)
Non-taxable income	2,078	3,009
Non-deductible expenses	-	(30)
UK to UK transfer pricing adjustment	-	(1,496)
Permanent tax differences	(1,914)	-
Unrecognised tax attribute*	(5,203)	(3,637)
Income tax charge	(10,472)	(11,787)

*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 £939,000 recognised in total comprehensive income (6 months ended 30 June 2022: £4,432,000 loss).

Tax receivable in the Statement of financial position

The Group's tax receivable at 30 June 2023 includes tax recoverable in relation to prior years.

During 2022, 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 2023 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 2023

12 Property, plant and equipment

	Other assets £'000	Rolling stock and other railway assets £'000	Total £'000
Cost			
Balance at 1 January 2022	346	3,272,457	3,272,803
Additions	-	11,908	11,908
Disposals	-	(192,828)	(192,828)
Balance at 31 December 2022	346	3,091,537	3,091,883
Additions	301	9,973	10,274
Disposals	-	(51,485)	(51,485)
Balance at 30 June 2023	647	3,050,025	3,050,672
Accumulated depreciation and write-downs			
Balance at 1 January 2022	303	1,172,070	1,172,373
Charge for the year	34	106,002	106,036
Write-down	-	33,666	33,666
Disposals	-	(191,605)	(191,605)
Balance at 31 December 2022	337	1,120,133	1,120,470
Charge for the period	28	49,606	49,634
Write-down	-	4,218	4,218
Disposals	-	(51,485)	(51,485)
Balance at 30 June 2023	365	1,122,472	1,122,837
Carrying value at 30 June 2023	282	1,927,553	1,927,835
Carrying value at 31 December 2022	9	1,971,404	1,971,413

Other assets relate to equipment, fixtures and fittings.

The depreciation charge on rolling stock is included within cost of sales in the Condensed, consolidated 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 £4,218,000 (31 December 2022: £33,666,000). This reflects the extent to which the net book value of rolling stock exceeded recoverable value on a fleet by fleet basis.

Additions include a credit from other comprehensive income (being a realised gain on cashflow hedges) of £300,000 (31 December 2022: loss of £142,000).

All rolling stock assets are subject to operating lease arrangements or are available to lease under such arrangements.

13 Right-of-use assets

	Other railway assets £'000
As at 1 January 2022	1,460
Depreciation charge	(739)
Re-measurement*	6,526
As at 31 December 2022	7,247
Depreciation charge	(315)
As at 30 June 2023	6,932

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2023

13 Right-of-use assets (continued)

*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).

Lease rentals are reviewed periodically in accordance with the terms of the agreement and revised accordingly.

14 Finance lease receivables

	30 June 2023 £'000	31 December 2022 £'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	231	921
Gross investment in finance leases	1,612	2,302
Unearned finance income	(68)	(137)
Net investment in finance leases less provisions	1,544	2,165
	30 June 2023 £'000	31 December 2022 £'000
Amortisation of finance lease receivables:		
<i>Amounts falling due:</i>		
No later than one year	1,260	1,265
Later than one year and no later than five years	284	900
Present value of minimum lease receivables	1,544	2,165
Aggregate finance lease income receivable in the period ended 30 June 2023/30 June 2022	148	366

The Group has entered into a finance leasing arrangement for one of its depots. This lease is due to expire in 1.5 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 2023

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 2023 £'000	31 December 2022 £'000
Deferred tax liabilities	79,484	81,748
Deferred tax assets	<u>(28,085)</u>	<u>(30,452)</u>
	<u>51,399</u>	<u>51,296</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 2022	102,289	(612)	(35,965)	(1,257)	(9,592)	(264)	54,599
(Credit)/charge to Income statement	(17,105)	85	6,305	(69)	(4)	44	(10,744)
Charge to Other comprehensive income	-	-	3,487	1,531	-	-	5,018
Effect of change in tax rate:							
- Income statement	(4,107)	7	1,864	(22)	(84)	-	(2,342)
- Other comprehensive income	-	-	802	483	-	-	1,285
Prior year adjustments	5	(63)	-	-	3,538	-	3,480
At 31 December 2022	<u>81,082</u>	<u>(583)</u>	<u>(23,507)</u>	<u>666</u>	<u>(6,142)</u>	<u>(220)</u>	<u>51,296</u>
(Credit)/charge to income statement	(1,891)	-	958	4	(6)	28	(907)
Charge/(credit) to other comprehensive income	-	-	1,280	(348)	-	-	932
Effect of change in tax rates:							
- Income statement	(7)	-	38	-	42	(2)	71
- Other comprehensive income	-	-	29	(22)	-	-	7
Prior year adjustment	-	-	-	-	-	-	-
At 30 June 2023	<u>79,184</u>	<u>(583)</u>	<u>(21,202)</u>	<u>300</u>	<u>(6,106)</u>	<u>(194)</u>	<u>51,399</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 2023 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 £31,788,000 at 30 June 2023 (31 Dec 2022: £26,254,000) 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 2023

16 Trade and other receivables

	30 June 2023 £'000	31 December 2022 £'000
Trade receivables	10,891	7,793
Accrued income	150	5,336
Other receivables	22	2,071
	<u>11,063</u>	<u>15,200</u>

Trade receivables includes £2,249,000 (31 December 2022: £2,793,000) in relation to operating lease rentals that have been accrued and for which a 12 month expected credit loss allowance of £301,000 is carried (31 December 2022: £358,000). During the period there has been a release of £57,000 in the expected credit loss allowance (6 months ended 30 June 2022: £79,000 release). The allowance reflects a revised rental payment profile, pursuant to changes in commercial arrangements.

17 Lease liabilities

	Other railway assets £'000
As at 1 January 2022	1,931
Interest charge	197
Payments	(905)
Re-measurement*	6,526
As at 31 December 2022	7,749
Interest charge	77
Payments	(534)
As at 30 June 2023	7,292

*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.

Total lease liabilities can be analysed as follows:

	30 June 2023 £'000	31 December 2022 £'000
Current	627	617
Non-current	6,665	7,132
	<u>7,292</u>	<u>7,749</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2023

17 Lease liabilities (continued)

Maturity of total lease liabilities

The maturity profile of total undiscounted lease liabilities at 30 June 2023 was as follows:

	30 June 2023 £'000	31 December 2022 £'000
Current	<u>769</u>	<u>769</u>
In more than one year but not more than two years	648	720
In more than two years but not more than five years	1,871	1,871
In more than five years	<u>4,989</u>	<u>5,300</u>
Non Current	<u>7,508</u>	<u>7,891</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 2023 £'000	31 December 2022 £'000
Non-current assets			
Fair value - excluding accrued interest	<i>See below</i>	150,352	124,008
Accrued interest	23	<u>3,899</u>	<u>702</u>
		154,251	124,710
Non-current liabilities			
Fair value - excluding accrued interest	<i>See below</i>	(226,913)	(209,974)
Accrued interest	23	<u>(6,775)</u>	<u>(3,016)</u>
		(233,688)	(212,990)
Total derivative financial instruments (excluding accrued interest)		<u>(76,561)</u>	<u>(85,966)</u>
Total accrued interest	23	<u>(2,876)</u>	<u>(2,314)</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2023

18 Derivative financial instruments (continued)

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

30 June 2023	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 – hedge accounted	December 2036	(100,000)	3,021	3,021
Interest rate swap contracts	April 2040	(300,000)	86,174	-
Interest rate swap contracts	July 2045	(246,836)	52,148	-
Interest rate swap contracts – hedge accounted	October 2049	(237,500)	9,009	18
		<u>(884,336)</u>	<u>150,352</u>	<u>3,039</u>
Non-current liabilities				
Interest rate swap contracts	June 2040	300,000	(143,684)	-
Interest rate swap contracts	July 2045	246,836	(83,229)	-
		<u>546,836</u>	<u>(226,913)</u>	<u>-</u>
Total derivative financial instruments		<u>(337,500)</u>	<u>(76,561)</u>	<u>3,039</u>
31 December 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)	74,186	-
Interest rate swap contracts	July 2045	(247,673)	40,831	-
Interest rate swap contracts – hedge accounted	October 2049	(237,500)	8,991	17,647
		<u>(785,173)</u>	<u>124,008</u>	<u>17,647</u>
Non-current liabilities				
Interest rate swap contracts	June 2040	300,000	(135,924)	-
Interest rate swap contracts	July 2045	247,673	(74,050)	-
		<u>547,673</u>	<u>(209,974)</u>	<u>-</u>
Total derivative financial instruments		<u>(237,500)</u>	<u>(85,966)</u>	<u>17,647</u>

The fair value of derivative financial instruments at 30 June 2023 is based on market rates at 30 June 2023. The comparative fair values at 31 December 2022 are based on market rates at 31 December 2022.

Notional of derivative financial instruments not designated in hedge relationship offset each other in periods up to 2045. In the first half of 2023 new forward starting interest rate swaps were designated in hedge relationships. These instruments hedge variable rate funding costs from 2025 to 2036. The instruments designated in a hedge relationships maturing in 2049 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 2023

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	-	4,458	4,458
- Change in fair value of non-hedge accounted derivatives	32,966	-	32,966
	32,966	4,458	37,424
Unrealised gain through other comprehensive income	-	13,189	13,189
Balance as at 31 December 2022	(94,957)	8,991	(85,966)
Unrealised (loss)/gain through the income statement			
- Hedge ineffectiveness	-	(246)	(246)
- Change in fair value of non-hedge accounted derivatives	6,366	-	6,366
	6,366	(246)	6,120
Unrealised gain through other comprehensive income	-	3,285	3,285
Balance as at 30 June 2023	(88,591)	12,030	(76,561)

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

Movement in Hedging reserve for the 6 months ended 30 June 2023

	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	-	(13,189)	-	(13,189)
Effective portion of changes in fair value of cash flow hedges	-	(13,189)	-	(13,189)
Transfer to property, plant and equipment	(142)	-	-	(142)
Transfer to income statement	-	-	(5,033)	(5,033)
Income tax on other comprehensive income	47	3,296	947	4,290
Balance as at 31 December 2022	(248)	(11,570)	67,980	56,162
Unrealised gain through other comprehensive income	-	(3,285)	-	(3,285)
Effective portion of changes in fair value of cash flow hedges	-	(3,285)	-	(3,285)
Transfer of loss on cash flow hedges to Income statement	-	-	(2,461)	(2,461)
Transfer to property, plant and equipment	300	-	-	300
Transfer to income statement	-	-	-	-
Income tax on other comprehensive income	(75)	769	615	1,309
Balance as at 30 June 2023	(23)	(14,086)	66,134	52,025

Notes to the condensed, consolidated interim financial statements (continued) for the 6 months ended 30 June 2023

18 Derivative financial instruments (continued)

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 gain of £300,000 (31 December 2022: loss of £142,000) 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 £66,134,000 (31 December 2022: £67,980,000) 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 2023, the Group held interest rate swaps with a fair value liability of £88,591,000 (31 December 2022: £94,957,000 liability) which were not designated in hedging relationships for accounting purposes.

As at 30 June 2023, the Group's hedge accounted swaps were deemed to be effective and the fair value asset associated to these interest rate swaps was £12,030,000 asset (31 December 2022: £8,991,000 asset).

Hedge ineffectiveness loss of £246,000 (6 months ended 30 June 2022: £2,629,000 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 £3,285,000 (6 months ended 30 June 2022: £8,830,000 loss); and
- interest rate swaps used as a basis of recognising hedge ineffectiveness gain of £3,039,000 (6 months ended 30 June 2022: £11,459,000 gain).

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 2022: £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 22. 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. The Group has no exposure to USD LIBOR and has not been impacted by the cessation of the USD LIBOR panel in June 2023. Therefore, the Group's current risk management strategy remains in place.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2023

19 Cash and cash equivalents

	30 June 2023 £'000	31 December 2022 £'000
Cash and cash equivalents	300,967	270,818

Within cash and cash equivalents there is a deposit of £2,600,000 (31 December 2022: £2,600,000) which provides security for the Profit Participating Shares issued by a subsidiary. £500,000 of cash and cash equivalents (31 December 2022: £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 2023 £'000	31 December 2022 £'000
Current	19,095	22,450
Long term	212,892	189,336
	231,987	211,786

21 Trade and other payables

	30 June 2023 £'000	31 December 2022 £'000
Trade payables	17,935	20,974
Lease rentals received in advance	14,351	25,038
Maintenance, acquisition and administrative accruals	10,905	20,193
Other payables	5,386	-
Other accruals	383	305
	48,960	66,510

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2023

22 Borrowings

	30 June 2023 £'000	31 December 2022 £'000
Current		
Interest accrued	17,028	17,505
Bonds	54,212	54,212
Capitalised transaction costs	(242)	(249)
	<u>70,998</u>	<u>71,468</u>
Non-current		
Bonds	1,803,208	1,828,699
Capitalised transaction costs	(5,131)	(5,366)
Profit Participating Shares	2,500	2,500
Loan from Eversholt UK Rails Limited	340,562	340,562
	<u>2,141,139</u>	<u>2,166,395</u>
Total borrowings	<u>2,212,137</u>	<u>2,237,863</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 2023 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
£343m*	6.698%	2023-2035
£100m	SONIA + margin	2029-2036
£90m	Fixed rate	2030
£50m	Fixed rate	2029-2036
£100m	Fixed rate	2026-2031
£100m	Fixed rate	2037
£400m	3.529%	2034-2042
£436m**	2.742%	2023-2040

None of the Bonds is puttable.

*During the period, £14,286,000 (2022: £14,286,000) of the bond was repaid in 2023.

**During the period, £12,821,000 (2022: £12,821,000) of the bond was repaid in 2023.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2023

22 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. Eversholt UK Rails Limited’s rights under the loan are subordinated and the loan is otherwise subject to the terms of the Common Documents (referred to above).

Maturity of borrowings

The maturity profile of the carrying amount of the Group’s non-current borrowings at 30 June 2023 was as follows:

	30 June 2023 £'000	31 December 2022 £'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	1,658,072	1,683,563
Transactions costs	(5,131)	(5,366)
	<u>2,141,139</u>	<u>2,166,395</u>

23 Reconciliation of liabilities arising from financing activities

30 June 2023	As at 31 December 2022 £'000	Non-cash finance expense £'000	Cash Flows payments £'000	As at 30 June 2023 £'000
Financing activities attributable to:				
Liabilities				
Bonds	1,882,911	1,616	(27,107)	1,857,420
Bond interest accrued	17,432	42,361	(42,835)	16,958
Swap interest accrued	2,314	4,885	(4,323)	2,876
Loan from Eversholt UK Rails Limited	340,562	23,749	(23,749)	340,562
Eversholt UK Rails Limited accrued interest	-	-	-	-
Profit Participating Shares	2,500	-	-	2,500
Profit Participating Shares dividend accrued	73	171	(174)	70
	<u>2,245,792</u>	<u>72,782</u>	<u>(98,188)</u>	<u>2,220,386</u>
Assets				
Capitalised transaction costs	<u>(5,615)</u>	<u>242</u>	<u>-</u>	<u>(5,373)</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2023

23 Reconciliation of liabilities arising from financing activities (continued)

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	23,749	(23,749)	340,562
Profit Participating Shares	2,500	-	-	2,500
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	(6,174)	275	-	(5,899)

24 Provisions

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

	Total 30 June 2023 £'000	Total 31 December 2022 £'000
Balance at beginning of the year	-	165
Utilised	-	(165)
Balance at the end of the period	<u>-</u>	<u>-</u>

25 Share capital

	30 June 2023 £	31 December 2022 £
Authorised		
102 Ordinary shares of £1 each (2022: 102)	<u>102</u>	<u>102</u>
Allotted, called up and fully paid		
102 Ordinary shares of £1 each (2022: 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 2023

26 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 2022 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 2023						
Financial assets						
Fair value through profit or loss						
- Derivative financial	154,251	216,036	-	18,449	68,657	128,930
Amortised cost						
- Finance lease receivables	1,544	1,612	-	1,381	231	-
- Trade and other receivables	11,063	11,063	-	11,063	-	-
- Cash and cash equivalents	300,967	300,967	266,962	34,005	-	-
	<u>467,825</u>	<u>529,678</u>	<u>266,962</u>	<u>64,898</u>	<u>68,888</u>	<u>128,930</u>
Financial liabilities						
Fair value through profit or loss						
- Derivative financial	231,688	366,375	-	35,901	102,815	227,659
Amortised cost						
- Trade and other payables	48,960	48,960	-	48,960	-	-
- Borrowings	2,217,510	2,747,127	-	138,634	816,932	1,791,561
	<u>2,500,158</u>	<u>3,162,462</u>	<u>-</u>	<u>223,495</u>	<u>919,747</u>	<u>2,019,220</u>
Total financial instruments	<u>(2,032,333)</u>	<u>(2,632,784)</u>	<u>266,962</u>	<u>(158,597)</u>	<u>(850,859)</u>	<u>(1,890,290)</u>

Group	Carrying value £'000	Contractual cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
31 December 2022						
Financial assets						
Fair value through profit or loss						
- Derivative financial	124,710	173,694	-	8,463	46,848	118,383
Amortised cost						
- Finance lease receivables	2,165	2,302	-	1,381	921	-
- Trade and other receivables	15,200	15,200	-	15,200	-	-
- Cash and cash equivalents	270,818	270,818	270,818	-	-	-
	<u>412,893</u>	<u>462,014</u>	<u>270,818</u>	<u>25,044</u>	<u>47,769</u>	<u>118,383</u>
Financial liabilities						
Fair value through profit or loss						
- Derivative financial	212,990	291,656	-	15,926	76,527	199,203
Amortised cost						
- Trade and other payables	66,510	66,510	-	66,510	-	-
- Borrowings	2,243,478	2,976,263	-	139,745	801,091	2,035,427
	<u>2,522,978</u>	<u>3,334,429</u>	<u>-</u>	<u>222,181</u>	<u>877,618</u>	<u>2,234,630</u>
Total financial instruments	<u>(2,110,085)</u>	<u>(2,872,415)</u>	<u>270,818</u>	<u>(197,137)</u>	<u>(829,849)</u>	<u>(2,116,247)</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2023

26 Risk management (continued)

The borrowings in the above table that are measured at amortised cost can be reconciled to note 22 as follows:

	30 June 2023 £'000	31 December 2022 £'000
Borrowings as per above	2,217,510	2,243,478
Less: transaction costs	(5,373)	(5,615)
Borrowings per note 22	<u>2,212,137</u>	<u>2,237,863</u>

27 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 2023					
Financial assets					
Fair value through profit or loss					
- Derivative financial instruments	18	154,251		154,251	
Amortised cost					
- Finance lease receivables	14	1,544		1,544	
- Trade and other receivables	16	11,063		11,063	
- Cash and cash equivalents	19	300,967		300,967	
Total Financial assets		<u>467,825</u>			
Financial liabilities					
Fair value through profit or loss					
Derivative financial instruments	18	233,688			
- Amortised cost					
Publicly traded bonds	23	1,417,420	1,283,127		
- Fixed rate borrowings	23	340,000		266,802	
- Other borrowings	23	460,090		460,090	
- Trade and other payables	21	48,960		48,960	
- Total Financial liabilities		<u>2,500,158</u>			
Total financial instruments		<u>(2,032,333)</u>			

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2023

27 Financial instruments (continued)

Group	Note	Carrying amount	Fair value		
			Level 1	Level 2	Level 3
31 December 2022		£'000	£'000	£'000	£'000
Financial assets					
Fair value through profit or loss					
- Derivative financial instruments	17	124,710		124,710	
Amortised cost					
- Finance lease receivables	14	2,165		2,165	
- Trade and other receivables	15	15,200		15,200	
- Cash and cash equivalents	21	270,818		270,818	
Total financial assets		<u>412,893</u>			
Financial liabilities					
Fair value through profit or loss					
- Derivative financial instruments	17	212,990		212,990	
Amortised cost					
- Publicly traded bonds	23	1,442,911	1,280,318		
- Fixed rate borrowings	23	340,000		278,924	
- Other borrowings	23	460,567		460,567	
- Trade and other payables	22	66,510		66,510	
Total financial liabilities		<u>2,522,978</u>			
Total financial instruments		<u>(2,110,085)</u>			

Carrying value is regarded as a reasonable approximation of fair value, when this is not provided in the above table. Only the derivative financial instruments are measured subsequent to initial recognition at fair value. All derivative financial instruments are grouped into level two, based on the degree to which the fair value is observable. Level two fair value measurements are those derived from inputs other than quoted prices that are observable from active markets either directly or indirectly.

The financial liabilities measured at amortised cost in the above table can be reconciled to note 22 as follows:

	30 June 2023 £'000	31 December 2022 £'000
Total financial liabilities as per above	2,500,158	2,522,978
Derivative financial instruments	(233,688)	(212,990)
Capitalised transaction costs	(5,373)	(5,615)
Trade and other payables	(48,960)	(66,510)
Borrowings per note 22	<u>2,212,137</u>	<u>2,237,863</u>

28 Retirement benefit scheme

At 30 June 2023, there was a net defined benefit asset of £1,200,000. At 31 December 2022, there was a net defined benefit asset of £2,679,000, the movement of £1,479,000 during the period reflecting the increase in discount rate partially offset by adjustment for CPI inflation (equivalent to £1,109,000 reflecting the deferred tax impact see note 15).

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

for the 6 months ended 30 June 2023

29 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 2023 £'000	31 December 2022 £'000
Within one year	292,142	277,022
1-2 years	274,003	261,329
2-3 years	208,396	210,581
3-4 years	202,776	179,437
4-5 years	132,827	162,999
Over 5 years	290,811	268,075
	<u>1,400,955</u>	<u>1,359,443</u>
Aggregate operating lease rentals receivable in the period/year	<u>151,074</u>	<u>320,599</u>

The Group as lessee

The Group subleased certain right-of-use assets in relation to land and has recognised income of £78,000 during the period (31 December 2022: £156,000), which is included in the rentals receivables shown above.

30 Capital commitments

In respect of rolling stock capital expenditure:

	30 June 2023 £'000	31 December 2022 £'000
Authorised and contracted	<u>25,885</u>	<u>36,642</u>

The above represents all capital commitments.

31 Dividends

For the period ended 30 June 2023, dividends of £13,800,000 were paid (6 months ended 30 June 2022: £21,000,000).

32 Related party transactions

Identity of related parties

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.

The parent undertaking of the largest group of undertakings for which annual group financial statements are drawn up and of which the Company is a member is. UK Rails S.A.R.L.

The parent undertaking of the smallest group of undertakings for which annual group financial statements are drawn up and which the Company is a member of, is Eversholt UK Rails (Holding) Limited.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2023

32 Related party transactions (continued)

Identity of related parties (continued)

As at 30 June 2023 the Group owed £340,562,000 (31 December 2022: £340,562,000) to its immediate parent Eversholt UK Rails Limited, disclosed in note 22. 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 2022: £60,000) by Eversholt UK Rails Limited and received a management fee of £29,000 (6 months ended to 30 June 2022: £31,000) from Eversholt UK Rails Limited during the first six months of the year.

33 Contingent liabilities

There were no contingent liabilities for the Group at 30 June 2023.

34 Subsequent events

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

Unaudited