

Eversholt Investment Limited

**Unaudited, condensed, consolidated
interim financial statements
for the 6 months ended 30 June 2014**

Registered No: IR490363

Condensed, consolidated interim financial statements
for the 6 months ended 30 June 2014

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Eversholt Investment Limited

Condensed, consolidated income statement

for the 6 months ended 30 June 2014

		6 months ended	
	Notes	30 June 2014	30 June 2013
		£	£
Revenue			
Finance lease income		465,634	494,826
Operating lease income		139,306,786	139,941,296
Maintenance income		32,453,099	29,780,976
Other income		1,358,352	722,755
Total income		173,583,871	170,939,853
Cost of sales	4	(95,929,613)	(95,031,651)
Gross profit		77,654,258	75,908,202
Finance income	5	232,339	843,014
Finance expense	6	(76,894,534)	(79,576,831)
Net fair value (loss)/gain on derivatives		(10,888,682)	28,173,662
Administrative expense	7	(8,430,320)	(7,394,175)
Profit on disposal of property, plant and equipment		-	125,000
(Loss)/profit before tax		(18,326,939)	18,078,872
Taxation		(2,333,032)	(5,869,567)
(Loss)/profit for the period		(20,659,971)	12,209,305

There were no discontinued or discontinuing operations during the period.

The notes on pages 6 to 11 form an integral part of these financial statements.

Condensed, consolidated statement of comprehensive income

for the 6 months ended 30 June 2014

There has been no comprehensive income or expense other than the loss for the period as shown above (period ended 30 June 2013: nil).

The financial statements were approved by the Board of Directors and authorised for issue on 27 August 2014. They were signed on its behalf by:


C Cullen
Director


M Walsh
Director

Company registration number: IR490363

Condensed, consolidated statement of financial position

as at 30 June 2014

	Notes	30 June 2014 £	31 December 2013 £
Assets			
Non-current assets			
Property, plant and equipment	8	1,810,377,986	1,870,415,492
Finance lease receivables		9,656,966	10,061,760
Trade and other receivables	9	6,877,876	6,670,704
Deferred tax	10	13,295,614	12,195,549
Derivative financial instruments	11	-	2,728
		<u>1,840,208,442</u>	<u>1,899,346,233</u>
Current assets			
Inventory		1,676,444	1,791,567
Finance lease receivables		796,320	779,240
Trade and other receivables	9	7,441,077	8,879,383
Cash and cash equivalents	12	79,665,900	88,218,325
Deferred revenue	13	407,559	567,008
		<u>89,987,300</u>	<u>100,235,523</u>
Total assets		<u>1,930,195,742</u>	<u>1,999,581,756</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	14	43,297,203	30,283,289
Current tax		5,721,756	4,300,849
Obligations under finance leases	15	12,949,222	10,526,307
Borrowings	16	46,109,067	80,247,832
Provisions		167,124	167,124
		<u>108,244,372</u>	<u>125,525,401</u>
Non-current liabilities			
Borrowings	16	1,707,906,490	1,739,926,937
Deferred tax	10	87,958,231	90,244,333
Obligations under finance leases	15	86,475,780	84,745,005
Deferred revenue	13	107,612,881	117,368,076
Derivative financial instruments	11	69,417,670	58,531,715
Provisions		55,000	55,000
		<u>2,059,426,052</u>	<u>2,090,871,066</u>
Total liabilities		<u>2,167,670,424</u>	<u>2,216,396,467</u>
Equity			
Share capital		12,000	12,000
Share premium account		13,660,000	13,660,000
Accumulated deficit		(251,146,682)	(230,486,711)
Total equity		<u>(237,474,682)</u>	<u>(216,814,711)</u>
Total equity and liabilities		<u>1,930,195,742</u>	<u>1,999,581,756</u>

The notes on pages 6 to 11 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 27 August 2014. They were signed on its behalf by:


C Cullen
Director


M Walsh
Director

Company registration number: IR490363

Condensed, consolidated statement of cash flows
for the 6 months ended 30 June 2014

	6 months ended	
	30 June 2014	30 June 2013
Note	£	£
(Loss)/profit before tax	(18,326,939)	18,078,872
Adjustments for:		
- Depreciation	66,943,770	68,853,134
- Write down in the value of inventory	115,123	115,123
- Fair value adjustment on derivative financial instruments	10,888,682	(28,173,662)
- Loss/(profit) on disposal of property, plant and equipment	1,465	(125,000)
- Unwinding of capitalised finance charges	3,534,671	2,635,872
- Interest on borrowings	73,127,524	76,097,945
Operating cash flow before changes in working capital	136,284,296	137,482,284
Decrease in finance lease receivables	387,714	359,363
Decrease in trade and other receivables	413,986	4,023,835
(Decrease)/increase in deferred revenue	(10,302,022)	16,006,308
Increase in trade and other payables	1,037,237	26,281,942
Cash generated by operating activities	127,821,211	184,153,732
Tax paid	(4,298,291)	(11,447,535)
Interest received	1,065,194	654,931
Realised loss on derivative financial instruments	-	(3,938,827)
Net cash generated by operating activities	124,588,114	169,422,301
Investing activities		
Acquisition of property, plant and equipment	(6,907,729)	(8,317,337)
Proceeds from disposal of property, plant and equipment	-	125,000
Net cash utilised in investing activities	(6,907,729)	(8,192,337)
Financing activities		
Loans raised	19,000,000	-
Interest on bank loans	(1,263,605)	(3,488,468)
Interest on bonds	(37,583,250)	(37,612,081)
Interest on Eversholt Investment Group (Luxembourg) Sarl loan	(14,171,325)	-
Profit participating preference dividends	(527,446)	(326,160)
Interest on derivative financial instruments	(3,151,527)	456,197
Finance expenses	(2,684,387)	(806,468)
Other interest	(22,595)	-
Payment of finance lease obligation	-	(12,557,360)
Bank loans repaid	-	(62,999,989)
Shareholder loan repaid	(85,828,675)	(14,958,180)
Net cash utilised in financing activities	(126,232,810)	(132,292,509)
Net (decrease)/increase in cash and cash equivalents	(8,552,425)	28,937,455
Cash and cash equivalents at beginning of the period	88,218,325	157,478,750
Cash and cash equivalents at end of the period	12 79,665,900	186,416,205

Condensed, consolidated statements of changes in equity

for the 6 months ended 30 June 2014

	Called up share capital £	Share premium £	Accumulated deficit £	Total shareholders' equity £
Balance at 1 January 2013	12,000	13,660,000	(229,579,408)	(215,907,408)
Loss for the year	-	-	(610,653)	(610,653)
Actuarial losses on defined benefit scheme after tax	-	-	(296,650)	(296,650)
Balance at 31 December 2013	<u>12,000</u>	<u>13,660,000</u>	<u>(230,486,711)</u>	<u>(216,814,711)</u>

	Called up share capital £	Share premium £	Accumulated deficit £	Total shareholders' equity £
Balance at 1 January 2014	12,000	13,660,000	(230,486,711)	(216,814,711)
Loss for the period	-	-	(20,659,971)	(20,659,971)
Balance at 30 June 2014	<u>12,000</u>	<u>13,660,000</u>	<u>(251,146,682)</u>	<u>(237,474,682)</u>

Notes to the condensed, consolidated interim financial statements
for the 6 months ended 30 June 2014

1 General information

Eversholt Investment Limited (the "Company") is a company incorporated in the Republic of Ireland under the Companies Act. The registered office of the Company is Newmount House, 22-24 Mount Street Lower, Dublin 2 (previously Harcourt Centre, Harcourt Road, Dublin 2). The Company is a wholly owned subsidiary of Eversholt Investment Group (Luxembourg) Sarl.

2 Basis of preparation

These financial statements are presented in pound sterling because that is the currency of the primary economic environment in which the Group operates.

2.1 Compliance with International Financial Reporting Standards

The consolidated financial statements of Eversholt Investment Limited have been prepared on the historical cost basis except for the revaluation of derivative financial instruments.

The condensed interim financial report has been prepared in accordance with *IAS34 Interim Financial Reporting* as adopted by the European Union. Selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in financial position and performance of the Company since the last annual financial statements as at and for year ended 31 December 2013. This condensed interim financial report does 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 financial statements for the year ended 31 December 2013.

2.2 Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

3 Summary of significant accounting policies

The accounting policies applied by the Group in this condensed, consolidated interim financial report are the same as those applied by the Group in its financial statements for the year ended 31 December 2013.

4 Cost of sales

	6 months ended	
	30 June 2014	30 June 2013
	£	£
Depreciation	66,671,169	68,612,713
Maintenance cost	29,143,321	26,303,815
Write down in the value of inventory	115,123	115,123
	<u>95,929,613</u>	<u>95,031,651</u>

5 Finance income

	6 months ended	
	30 June 2014	30 June 2013
	£	£
Bank interest	<u>232,339</u>	<u>843,014</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2014

6 Finance expense

	6 months ended	
	30 June 2014	30 June 2013
	£	£
Interest payable to Eversholt Investment (Luxembourg) Sarl	26,374,584	26,816,629
Profit participating preference share dividend	410,337	391,376
Interest payable on derivatives	3,063,457	2,977,053
Interest payable on bank loan	1,243,736	3,560,769
Interest expense on obligations under finance leases	4,153,691	4,479,916
Interest payable on bonds	37,385,189	37,253,637
Other finance costs	3,366,254	1,461,579
Unwinding of capitalised borrowing costs	897,286	2,635,872
	76,894,534	79,576,831

7 Administrative expense

Administrative expenses include the following:

	6 months ended	
	30 June 2014	30 June 2013
	£	£
Depreciation	272,601	240,422
Defined contribution pension costs	255,673	215,551
Audit fees	57,500	57,500

8 Property, plant and equipment

	Other assets	Rolling stock and other railway assets	Total
	£	£	£
Cost			
Balance at 1 January 2013	2,401,370	2,303,713,951	2,306,115,321
Additions	332,669	16,065,437	16,398,106
Disposals	-	(74,148)	(74,148)
Balance at 31 December 2013	2,734,039	2,319,705,240	2,322,439,279
Additions	126,194	6,781,535	6,907,729
Disposals	(1,465)	-	(1,465)
Balance at 30 June 2014	2,858,768	2,326,486,775	2,329,345,543
Depreciation			
Balance at 1 January 2013	984,649	314,157,939	315,142,588
Charge for the year	486,468	136,468,879	136,955,347
Disposals	-	(74,148)	(74,148)
Balance at 31 December 2013	1,471,117	450,552,670	452,023,787
Charge for the period	272,601	66,671,169	66,943,770
Balance at 30 June 2014	1,743,718	517,223,839	518,967,557
Net carrying value			
Carrying value at 30 June 2014	1,115,050	1,809,262,936	1,810,377,986
Carrying value at 31 December 2013	1,262,922	1,869,152,570	1,870,415,492

Rolling stock has been pledged to secure borrowings of the Group. The Group is not permitted to pledge these assets as security for other borrowings and is restricted in its ability to sell them.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2014

9 Trade and other receivables

	30 June 2014 £	31 December 2013 £
Receivables no later than one year:		
Trade receivables	2,485,016	504,722
Other receivables	821,657	1,409,459
Maintenance prepayment	4,134,404	6,965,202
	<u>7,441,077</u>	<u>8,879,383</u>
Receivables later than one year:		
Maintenance prepayment	<u>6,877,876</u>	<u>6,670,704</u>

10 Deferred tax

The following is the analysis of the deferred tax balances for financial reporting purposes:

	30 June 2014 £	31 December 2013 £
Deferred tax asset	13,295,614	12,195,549
Deferred tax liability	(87,958,231)	(90,244,333)
	<u>(74,662,617)</u>	<u>(78,048,784)</u>

Temporary differences relate principally to accelerated capital allowances and depreciation.

Reductions in the UK corporation tax rate to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset/liability at 30 June 2014 for the UK companies has been calculated based on the rates of 20% and 21% substantively enacted at the reporting date.

The deferred tax asset/liability at 30 June 2014 for the Irish companies has been calculated at 12.5% being the rate in force at the reporting date.

11 Derivative financial instruments

	30 June 2014 £	31 December 2013 £
Non-current		
Interest rates swaps - assets	-	2,728
Interest rates swaps - liabilities	(69,417,670)	(58,531,715)

The Group has a number of interest rate swap contracts, which enable it to mitigate the risk of fluctuating interest rates on the cash flow exposures on the issued variable rate debt held.

During the period ended 30 June 2014, none of the swaps were designated in hedge accounting relationships (31 December 2013: None).

The fair value of derivative financial instruments is based on market rates on 30 June 2014.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2014

12 Cash and cash equivalents

Cash and cash equivalents are analysed as:

	30 June 2014	31 December 2013
	£	£
Bank accounts	<u>79,665,900</u>	<u>88,218,325</u>

Within cash and cash equivalents there is a deposit of £26.4 million (year ended 31 December 2013: £26.4 million) which provides security for the Profit Participating Shares issued by one of the group undertakings. In addition £0.5 million (year ended 31 December 2013: £0.5 million) is restricted in terms of the agreement with the Law Debenture Trust Corporation plc.

13 Deferred revenue

	30 June 2014	31 December 2013
	£	£
Current asset	<u>407,559</u>	<u>567,008</u>
Non-current liability	<u>(107,612,881)</u>	<u>(117,368,076)</u>

Rentals received in relation to future maintenance costs are deferred and released when these costs are incurred.

The deferred revenue arises in respect of the Group obligations in respect of maintenance contracts in certain leases.

14 Trade and other payables

	30 June 2014	31 December 2013
	£	£
Trade payables	11,682,703	6,531,167
Lease rentals received in advance	10,155,472	11,345,363
Accruals	8,118,383	8,362,379
Interest accrual	12,708,538	731,861
Retirement benefit liability	300,000	300,000
VAT	332,107	3,012,519
	<u>43,297,203</u>	<u>30,283,289</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2014

15 Obligations under finance leases

	30 June 2014 £	31 December 2013 £
Total future minimum lease payments		
No later than one year	20,168,643	18,439,940
Later than one year and no later than five years	67,510,238	67,742,171
Later than five years	40,628,241	43,879,312
Gross investment in finance leases	128,307,122	130,061,423
Future finance costs	(28,882,120)	(34,790,111)
Present value of lease obligations	99,425,002	95,271,312
 Present value of minimum lease payments		
No later than one year	12,949,222	10,526,307
 Later than one year and no later than five years	47,584,965	44,481,079
Later than five years	38,890,815	40,263,926
	86,475,780	84,745,005
	99,425,002	95,271,312

16 Borrowings

	30 June 2014 £	31 December 2013 £
No later than one year		
Interest accrued	12,927,673	13,124,201
Capitalised fees	(1,818,606)	(1,905,441)
Bank loans	35,000,000	16,000,000
Eversholt Investment Group (Luxembourg) Sarl	-	53,029,072
	46,109,067	80,247,832
Later than one year		
Bank loans	100,000,000	100,000,000
Bonds	1,250,000,000	1,250,000,000
Other loan	5,462,672	5,446,965
Profit participating preference shares	25,000,000	25,000,000
Capitalised fees	(9,516,451)	(10,279,900)
Eversholt Investment Group (Luxembourg) Sarl	336,960,269	369,759,872
	1,707,906,490	1,739,926,937
	1,754,015,557	1,820,174,769

Fees incurred on raising finance have been capitalised. These fees will be amortised over the term of the borrowings.

The Profit Participating Shares ("PPS") carry a right to quarterly dividends. The PPS dividend element has two parts. The first part confers a right to a LIBOR based return. The second part confers a right to 0.5% 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 bank loans are from a consortium of banks. The loans are fully repayable by November 2018. Interest on these loans is currently charged at GBP Libor plus a margin (year ended 31 December 2013: GBP Libor plus a margin).

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2014

16 Borrowings (continued)

Publicly traded bond principal amount	Due date	Annual Interest rate Semi-annual coupon
£300m	2020	5.8%
£400m	2025	6.4%
£400m	2021-2035	6.7%

None of the bonds contain a put option.

Bank loans and bond agreements impose certain covenants on the performance and management of the Group. Failure to comply with these covenants may result in the loans and bonds being repayable on demand.

The Group has granted security over all of its assets to obtain external financing by way of bonds and loans.

The loans with Eversholt Investment Group (Luxembourg) Sarl are unsecured and have no fixed repayment terms and are therefore technically repayable on demand although the amount that the Group can pay in each accounting period is limited by the terms of its external financing agreements.

17 Capital commitments

In respect of capital expenditure:

	30 June 2014	31 December 2013
	£	£
Authorised and contracted	<u>28,882,000</u>	<u>17,069,000</u>

18 Fair value of financial assets and liabilities

Except where disclosed elsewhere, there are no material differences between the carrying value and the fair value of financial assets and liabilities as at 30 June 2014.

19 Related party transactions

Loans with Eversholt Investment Group (Luxembourg) Sarl, refer note 16. Interest on these loans is disclosed in note 6.

20 Contingent liabilities

There were no contingent liabilities for the Group at 30 June 2014.

21 Subsequent events

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