

# **Eversholt Funding plc**

**Unaudited, condensed interim financial statements  
for the 6 months ended 30 June 2017**

**Registered No: 07329930**

**Condensed interim financial statements**  
for the 6 months ended 30 June 2017

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**Condensed income statement**

for the 6 months ended 30 June 2017

	<i>Notes</i>	<b>6 months ended</b>	
		<b>30 June 2017</b>	<b>30 June 2016</b>
		<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>			
Finance income	<b>4</b>	<b>48,996</b>	41,756
<b>Gross Profit</b>		<b>48,996</b>	41,756
Finance expense	<b>5</b>	<b>(50,268)</b>	(42,883)
Net fair value gain/(loss) on derivative financial instruments		<b>16,910</b>	(77,487)
Administrative expense	<b>6</b>	<b>(63)</b>	(21)
<b>Profit/(loss) before tax</b>		<b>15,575</b>	(78,635)
Income tax (charge)/credit		<b>(2,618)</b>	14,323
<b>Profit/(loss) for the period</b>		<b>12,957</b>	(64,312)

There were no discontinued or discontinuing operations during the period.

The notes on pages 6 to 10 form an integral part of these financial statements.

**Condensed statement of comprehensive income**

for the 6 months ended 30 June 2017

	<i>Notes</i>	<b>6 months ended</b>	
		<b>30 June 2017</b>	<b>30 June 2016</b>
		<b>£'000</b>	<b>£'000</b>
Profit/(loss) for the period		<b>12,957</b>	(64,312)
Effective portion of changes in fair value of cash flow hedges	<b>9</b>	<b>13,994</b>	(50,264)
Realised loss on cash flow hedged to property, plant and equipment	<b>9</b>	<b>318</b>	-
Income tax on other comprehensive (income)/loss	<b>7</b>	<b>(2,433)</b>	9,048
<b>Total comprehensive income/(loss) for the period</b>		<b>24,836</b>	(105,528)

**Condensed statement of financial position**  
for the 6 months ended 30 June 2017

	Notes	30 June 2017 £'000	31 December 2016 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Deferred tax	7	24,179	29,486
Derivative financial instruments	9	12,018	9,142
Amounts owed by group undertakings	8	1,540,000	1,440,000
		<u>1,576,197</u>	<u>1,478,628</u>
<b>Current assets</b>			
Amounts owed by group undertakings	8	15,237	64,999
Cash and cash equivalents	10	516	791
		<u>15,753</u>	<u>65,790</u>
<b>Total assets</b>		<u>1,591,950</u>	<u>1,544,418</u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Derivative financial instruments	9	7	-
Trade and other payables	11	156	526
Current tax		1,659	1,916
Borrowings	12	13,649	63,235
		<u>15,471</u>	<u>65,677</u>
<b>Non-current liabilities</b>			
Borrowings	12	1,531,557	1,430,890
Amounts owed to group undertakings	8	34,214	33,943
Derivative financial instruments	9	140,298	168,334
		<u>1,706,069</u>	<u>1,633,167</u>
<b>Total liabilities</b>		<u>1,721,540</u>	<u>1,698,844</u>
<b>Equity</b>			
Share capital		50	50
Accumulated deficit		(117,189)	(130,146)
Hedging reserve		(12,451)	(24,330)
<b>Total equity</b>		<u>(129,590)</u>	<u>(154,426)</u>
<b>Total equity and liabilities</b>		<u>1,591,950</u>	<u>1,544,418</u>

The notes on pages 6 to 10 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 14 September 2017. They were signed on its behalf by:



**A J Wesson**  
Director

Company registration number: 07329930

**Condensed statement of cash flows**  
for the 6 months ended 30 June 2017

	Note	6 months ended	
		30 June 2017 £'000	30 June 2016 £'000
<b>Profit/(loss) before tax</b>		15,575	(78,635)
Adjustments for:			
- Finance expense		50,268	42,883
- Finance income		(48,996)	(41,757)
- Fair value adjustment on derivative financial instruments		(16,910)	77,487
<b>Operating cash flow before changes in working capital</b>		(63)	(22)
Decrease in trade and other payables		(370)	(115)
Decrease in trade and other receivables		-	3
<b>Net cash utilised in operating activities</b>		(433)	(134)
<b>Investing activities</b>			
Amounts lent to group entities		(50,000)	(80,000)
Interest received on intra-group loans		48,996	41,813
<b>Net cash utilised in investing activities</b>		(1,004)	(38,187)
<b>Financing activities</b>			
Movement in amounts owed to group undertakings		271	588
Intercompany accrued interest		(239)	(307)
Realised loss on derivatives		318	-
Borrowings raised		50,000	80,000
Interest paid on bonds		(40,473)	(39,243)
Interest paid on bank loans		(100)	(131)
Interest paid on swaps		(8,179)	(2,439)
Other finance expense		(436)	(5)
<b>Net cash generated by financing activities</b>		1,162	38,463
<b>Net (decrease)/increase in cash and cash equivalents</b>		(275)	142
Cash and cash equivalents at beginning of the period		791	500
<b>Cash and cash equivalents at end of the period</b>	10	516	642

**Condensed statement of changes in equity**

for the 6 months ended 30 June 2017

	Called up share capital £'000	Hedging reserve £'000	Accumulated deficit £'000	Total shareholders' equity £'000
<b>Balance at 1 January 2016</b>	50	-	(90,334)	(90,284)
Loss for the year	-	-	(39,812)	(39,812)
Effective portion of changes in fair value of cash flow hedges	-	(30,594)	-	(30,594)
Realised loss on cash flow hedged to property, plant and equipment	-	47	-	47
Realised loss on cash flow hedged to Income statement	-	1,235	-	1,235
Tax credit on changes in effective portion of changes in fair value of cash flow	-	4,982	-	4,982
<b>Balance at 31 December 2016</b>	<b>50</b>	<b>(24,330)</b>	<b>(130,146)</b>	<b>(154,426)</b>

	Called up share capital £'000	Hedging reserve £'000	Accumulated deficit £'000	Total shareholders' equity £'000
<b>Balance at 1 January 2017</b>	50	(24,330)	(130,146)	(154,426)
Profit for the period	-	-	12,957	12,957
Effective portion of changes in fair value of cash flow hedges	-	13,994	-	13,994
Realised loss on cash flow hedged to property, plant and equipment	-	318	-	318
Tax charge on changes in effective portion of changes in fair value of cash flow	-	(2,433)	-	(2,433)
<b>Balance at 30 June 2017</b>	<b>50</b>	<b>(12,451)</b>	<b>(117,189)</b>	<b>(129,590)</b>

## Notes to the condensed interim financial statements

for the 6 months ended 30 June 2017

### 1 General information

Eversholt Funding plc is a company incorporated and domiciled in England and Wales. The registered office of the Company is 210 Pentonville Road, London, N1 9JY.

### 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 Compliance with International Financial Reporting Standards

The financial statements of Eversholt Funding plc 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 *IAS 34 Interim Financial Reporting* as adapted 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 2016. 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 2016.

#### 2.2 Going concern

The accumulated losses being greater than the called up share capital gives rise to there being an excess of liabilities over assets. The financial statements has been assessed in conjunction with its immediate parent, Eversholt Finance Holdings Limited, as its viability is dependent upon the ability of other Group companies to provide funds for the Company when required. As a result and having made appropriate enquiries, reviewed forecasts and having the commitment of support from the parent, the Directors consider it reasonable to assume that the Company has adequate resources to continue for the foreseeable future and on this basis the accounts have been prepared on a going concern basis.

### 3 Summary of significant accounting policies

The accounting policies applied by the Company in this condensed interim financial report are the same as those applied by the Company in its financial statements for the year ended 31 December 2016.

### 4 Finance income

	6 months ended	
	30 June 2017	30 June 2016
	£'000	£'000
Interest on intra-group loans	<u>48,996</u>	<u>41,756</u>

### 5 Finance expense

	6 months ended	
	30 June 2017	30 June 2016
	£'000	£'000
Interest payable on bank loans	71	179
Interest payable on derivative financial instruments	8,023	2,579
Interest payable on bonds	40,895	38,998
Interest on intra-group loan	1,279	1,121
Fees payable	-	6
	<u>50,268</u>	<u>42,883</u>

**Notes to the condensed interim financial statements (continued)**

for the 6 months ended 30 June 2017

**6 Administrative expense**

Administrative expenses include the following:

	6 months ended	
	30 June 2017	30 June 2016
	£'000	£'000
Audit fees	25	8

The Company has no employees and hence no staff costs (6 months ended 30 June 2016: nil).

**7 Deferred tax**

Deferred tax arises on timing differences created by unrealised changes in the fair value of derivative financial instruments.

	30 June 2017 £'000	31 December 2016 £'000
Balance at beginning of the period/year	29,486	16,170
Amount arising from temporary differences	(3,255)	11,237
Change in tax rates	381	(2,564)
Income tax on other comprehensive (gain)/ loss	(2,433)	4,982
Prior year adjustment	-	(339)
Balance at end of the period/year	<u>24,179</u>	<u>29,486</u>

The corporation tax rate reduction to 19% from 1 April 2017 was substantively enacted on 18 November 2015. A further reduction to 17% from 1 April 2020 was substantively enacted on 15 September 2016. As a result of these reductions the Company's future current tax charge will reduce accordingly.

The deferred tax asset at 30 June 2017 has been calculated based on rates of 17% (31 December 2016: 17%) substantively enacted at the reporting date.

**8 Amounts owed by/(to) group undertakings**

	30 June 2017 £'000	31 December 2016 £'000
<b>Current assets</b>		
Eversholt Rail (UK) Limited	-	50,000
Intercompany accrued interest	<u>15,237</u>	<u>14,999</u>
	<u>15,237</u>	<u>64,999</u>
<b>Non-current assets</b>		
Eversholt Rail (UK) Limited	<u>1,540,000</u>	<u>1,440,000</u>
	<u>1,555,237</u>	<u>1,504,999</u>

The terms of these loans mirror the terms of the Company's external debt described in note 12.

**Non-current liabilities**

Eversholt Rail (UK) Limited	<u>(34,214)</u>	<u>(33,943)</u>
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The intragroup working capital loan with Eversholt Rail (UK) Limited is classified as non-current as it is repayable on or before 4 November 2018. Borrowing entities may prepay and redraw loans until the repayment date. Interest on the loan is payable monthly at a floating rate, which substantially matches the rate of the Group's senior debt, plus margin (2016: Group's senior debt, plus margin).



**Notes to the condensed interim financial statements (continued)**

for the 6 months ended 30 June 2017

**9 Derivative financial instruments**

The fair values together with the carrying amounts of the derivative financial instruments are as follows:

	Carrying amount 30 June 2017	Fair value 30 June 2017	Carrying amount 31 December 2016	Fair value 31 December 2016
	£'000	£'000	£'000	£'000
<b>Non-current assets</b>				
Interest rate swaps – hedge accounted	9,073	9,073	-	-
Interest rate swaps	2,945	2,945	9,142	9,142
	<u>12,018</u>	<u>12,018</u>	<u>9,142</u>	<u>9,142</u>
<b>Current Liabilities</b>				
Interest rate swaps	(7)	(7)	-	-
<b>Non-current liabilities</b>				
Interest rate swaps	(129,984)	(129,984)	(152,990)	(152,990)
Interest rate swaps – hedge accounted	(10,314)	(10,314)	(15,344)	(15,344)
	<u>(140,298)</u>	<u>(140,298)</u>	<u>(168,334)</u>	<u>(168,334)</u>

The Company has a number of interest rate derivative contracts which have been entered into to mitigate the risk from fluctuating interest rates on the cash flows arising on variable rate debt and forecast future debt. During the period ended 30 June 2017, the following swaps were designated in hedge accounting relationships.

Counterparty	Maturity date	Fair value	Other comprehensive gain	Income statement gain	Realised loss in capital additions	Realised loss in income statement
		30 June 2017 £'000	30 June 2017 £'000	30 June 2017 £'000	30 June 2017 £'000	30 June 2017 £'000
Relationship banks	01/10/2049	(10,314)	10,679	88	-	-
Relationship banks	01/02/2049	9,073	3,315	21	-	-
Relationship banks	Terminated	-	-	-	204	-
Relationship banks	Terminated	-	-	-	114	-
		<u>(1,241)</u>	<u>13,994</u>	<u>109</u>	<u>318</u>	<u>-</u>

  

Counterparty	Maturity date	Fair value	Other comprehensive gain/(loss)	Income statement gain/(loss)	Realised loss in capital additions	Realised loss in income statement
		31 December 2016 £'000	31 December 2016 £'000	31 December 2016 £'000	31 December 2016 £'000	31 December 2016 £'000
Relationship banks	Terminated	-	(6,080)	-	47	1,235
Relationship banks	01/10/2049	(21,080)	(20,818)	(262)	-	-
Relationship banks	Terminated	-	(4,680)	-	-	-
Relationship banks	Terminated	-	(4,680)	-	-	-
Relationship banks	01/02/2049	5,736	(5,664)	72	-	-
		<u>(15,344)</u>	<u>(30,594)</u>	<u>(190)</u>	<u>47</u>	<u>1,235</u>

As at 30 June 2017, the hedges were deemed to be highly effective and the fair value liability associated to these interest rate swaps was £1,240,925 (31 December 2016: £15,344,426).

During the period ended 30 June 2017 profit of £13,994,245 (30 June 2016: loss of £50,263,813) was accounted for in Other comprehensive income, in respect of interest rate swaps.

The remaining interest rate swap contracts the Company held as at 30 June 2017 were not designated in hedge accounting relationships. The fair value of derivative financial instruments was based on market rates at 30 June 2017.

**Notes to the condensed interim financial statements (continued)**

for the 6 months ended 30 June 2017

**10 Cash and cash equivalents**

Cash and cash equivalents are analysed as:

	30 June 2017 £'000	31 December 2016 £'000
Bank balances	<u>516</u>	<u>791</u>

£500,000 (31 December 2016: £500,000) of cash and cash equivalents is restricted cash in accordance with the terms of the agreement with the security trustee for the Company's secured creditors.

**11 Trade and other payables**

	30 June 2017 £'000	31 December 2016 £'000
Fees and other payables accrued	<u>156</u>	<u>526</u>

**12 Borrowings**

	30 June 2017 £'000	31 December 2016 £'000
<b>Current</b>		
Bank loans	-	50,000
Interest accrued	15,236	14,999
Transaction costs	<u>(1,587)</u>	<u>(1,764)</u>
	<u>13,649</u>	<u>63,235</u>
<b>Non-current</b>		
Bonds	1,540,000	1,440,000
Transaction costs	<u>(8,443)</u>	<u>(9,110)</u>
	<u>1,531,557</u>	<u>1,430,890</u>
	<u>1,545,206</u>	<u>1,494,125</u>

Fees incurred on raising finance have been capitalised and are being amortised using the 'effective interest method' over the term of the borrowings.

The current bank loan is a drawing under a revolving credit facility that is technically repayable and redrawn on each interest payment date.

Bond principal amount	Due date	Annual Interest rate Semi-annual coupon
£300m	2020	5.8%
£400m	2025	6.4%
£400m	2021-2035	6.7%
£100m	2029-2036	LIBOR+margin
£90m	2030	Fixed rate
£50m	2029-2036	Fixed rate
£100m	2026-2031	Fixed rate
£100m	2037	Fixed rate

None of the bonds are puttable.

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 being repayable on demand.

Eversholt UK Rails (Holding) Limited (Security Group) has granted security over all of its assets to enable the Company to secure this financing.

**Notes to the condensed interim financial statements (continued)**

for the 6 months ended 30 June 2017

**13 Related party transactions**

The company has loan accounts with fellow subsidiaries which are more fully described in note 8. Interest on these accounts is more fully described in notes 4 and 5.

**14 Contingent liabilities**

There were no contingent liabilities for the Company at 30 June 2017.

**15 Subsequent events**

The Company raised new finance of £400,000,000 through a public bond issue. The funds were drawn on 7 August 2017 at a fixed interest rate of 3.529% and a final maturity of 2042 (25-year bond amortising from 2034).