

# **Eversholt Funding plc**

**Unaudited, condensed interim financial statements  
for the 6 months ended 30 June 2016**

**Registered No: 07329930**

**Condensed interim financial statements**

for the 6 months ended 30 June 2016

**Contents**

Condensed income statement	2
Condensed statement of comprehensive income	2
Condensed statement of financial position	3
Condensed statement of cash flows	4
Condensed statement of changes in equity	5
Notes to the condensed interim financial statements	6

**Condensed income statement**

for the 6 months ended 30 June 2016

		6 months ended	
	<i>Notes</i>	30 June 2016	30 June 2015
		£'000	£'000
<b>Revenue</b>			
Finance income	4	<u>41,756</u>	41,282
<b>Gross Profit</b>		<u>41,756</u>	41,282
Finance expense	5	(42,883)	(41,565)
Net fair value (loss)/gain on derivative financial instruments		(77,487)	10,237
Administrative expense	6	<u>(21)</u>	(29)
<b>(Loss)/profit before tax</b>		<u>(78,635)</u>	9,925
Income tax credit/(charge)		<u>14,323</u>	(1,987)
<b>(Loss)/profit for the period</b>		<u>(64,312)</u>	<u>7,938</u>

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 2016

		6 months ended	
	<i>Notes</i>	30 June 2016	30 June 2015
		£'000	£'000
(Loss)/profit for the period		(64,312)	7,938
Effective portion of changes in fair value of cash flow hedges		(50,264)	-
Income tax on other comprehensive loss		<u>9,048</u>	-
<b>Total comprehensive (loss)/income for the period</b>		<u>(105,528)</u>	<u>7,938</u>

**Condensed statement of financial position**

as at 30 June 2016

	<i>Notes</i>	30 June 2016 £'000	31 December 2015 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Amounts owed by group undertakings	<i>8</i>	1,340,000	1,340,000
Deferred tax	<i>7</i>	38,825	16,170
Derivative financial instruments	<i>9</i>	4,446	-
		<u>1,383,271</u>	<u>1,356,170</u>
<b>Current assets</b>			
Trade and other receivables	<i>10</i>	-	3
Derivative financial instruments	<i>9</i>	-	860
Amounts owed by group undertakings	<i>8</i>	114,170	34,226
Current tax		5,703	4,988
Cash and cash equivalents	<i>11</i>	642	500
		<u>120,515</u>	<u>40,577</u>
<b>Total assets</b>		<u>1,503,786</u>	<u>1,396,747</u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	257	372
Borrowings	<i>13</i>	112,275	32,604
		<u>112,532</u>	<u>32,976</u>
<b>Non-current liabilities</b>			
Borrowings	<i>13</i>	1,331,385	1,330,299
Amounts owed to group undertakings	<i>8</i>	35,539	34,951
Derivative financial instruments	<i>9</i>	220,142	88,805
		<u>1,587,066</u>	<u>1,454,055</u>
<b>Total liabilities</b>		<u>1,699,598</u>	<u>1,487,031</u>
<b>Equity</b>			
Share capital		50	50
Accumulated deficit		(154,646)	(90,334)
Hedging reserve		(41,216)	-
<b>Total equity</b>		<u>(195,812)</u>	<u>(90,284)</u>
<b>Total equity and liabilities</b>		<u>1,503,786</u>	<u>1,396,747</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 27 September 2016. 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 2016

	<i>Note</i>	6 months ended	
		30 June 2016	30 June 2015
		£'000	£'000
<b>(Loss)/profit before tax</b>		<b>(78,635)</b>	9,925
Adjustments for:			
- Finance expense		42,883	41,565
- Finance income		(41,757)	(41,282)
- Fair value adjustment on derivative financial instruments		77,487	(10,237)
<b>Operating cash flow before changes in working capital</b>		<b>(22)</b>	(29)
Decrease in trade and other payables		(115)	(31)
Decrease/(increase) in trade and other receivables		3	(12)
<b>Cash generated by operating activities</b>		<b>(134)</b>	(72)
Group relief		-	5
<b>Net cash (utilised in) operating activities</b>		<b>(134)</b>	(67)
<b>Investing activities</b>			
Amounts (lent to)/repaid by group entities		(80,000)	35,000
Interest received on intra-group loans		41,813	41,494
<b>Net cash (utilised in)/generated by investing activities</b>		<b>(38,187)</b>	76,494
<b>Financing activities</b>			
Movement in amounts owed to group undertakings		588	348
Intercompany accrued interest		(307)	(257)
Borrowings raised/(repaid)		80,000	(35,000)
Interest paid on bonds		(39,243)	(37,618)
Interest paid on bank loans		(131)	(950)
Interest paid on derivative financial instruments		(2,439)	(2,924)
Other finance expense		(5)	(26)
<b>Net cash generated by/(utilised in) financing activities</b>		<b>38,463</b>	(76,427)
<b>Net increase in cash and cash equivalents</b>		<b>142</b>	-
Cash and cash equivalents at beginning of the period		500	500
<b>Cash and cash equivalents at end of the period</b>	<b>11</b>	<b>642</b>	<b>500</b>

**Condensed statement of changes in equity**

for the 6 months ended 30 June 2016

	Called up share capital £'000	Hedging reserve £'000	Accumulated deficit £'000	Total shareholders' equity £'000
<b>Balance at 1 January 2015</b>	50	-	(82,814)	(82,764)
Loss for the year	-	-	(7,520)	(7,520)
<b>Balance at 31 December 2015</b>	<b>50</b>	<b>-</b>	<b>(90,334)</b>	<b>(90,284)</b>

	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 period	-	-	(64,312)	(64,312)
Effective portion of changes in fair value of cash flow hedges	-	(50,264)	-	(50,264)
Income tax on other comprehensive loss	-	9,048	-	9,048
<b>Balance at 30 June 2016</b>	<b>50</b>	<b>(41,216)</b>	<b>(154,646)</b>	<b>(195,812)</b>

## Notes to the condensed interim financial statements

for the 6 months ended 30 June 2016

### 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 2015. 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 2015.

#### 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 the 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 2015.

### 4 Finance income

	6 months ended	
	30 June 2016	30 June 2015
	£'000	£'000
Interest on intra-group loans	41,756	41,282

### 5 Finance expense

	6 months ended	
	30 June 2016	30 June 2015
	£'000	£'000
Interest payable on bank loans	179	934
Interest payable on derivative financial instruments	2,579	2,924
Interest payable on bonds	38,998	37,424
Interest on intra-group loan	1,121	257
Fees payable	6	26
	<u>42,883</u>	<u>41,565</u>

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

for the 6 months ended 30 June 2016

**6 Administrative expense**

Administrative expenses include the following:

	6 months ended	
	30 June 2016	30 June 2015
	£'000	£'000
Audit fees	8	5

The Company has no employees and hence no staff costs (6 months ended 30 June 2015: nil).

**7 Deferred tax**

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

	30 June 2016 £'000	31 December 2015 £'000
Balance at beginning of the period/year	16,170	21,449
Amount arising from temporary differences	15,120	(3,525)
Change in tax rates	(1,513)	(1,754)
Income tax on other comprehensive loss	9,048	-
Balance at end of the period/year	<u>38,825</u>	<u>16,170</u>

Reductions in the UK corporation tax rate to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013.

Further reductions to 19% from 1 April 2017 and 18% from 1 April 2020 were substantially enacted on 18 November 2015. As a result of this reduction, the company's future current tax charge will reduce.

The deferred tax asset at 30 June 2016 has been calculated based on the rate of 18% (31 December 2015: 18%) substantively enacted at the reporting date. The effect of the change in the rate to 18% is included in these financial statements.

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

	30 June 2016 £'000	31 December 2015 £'000
<b>Current assets</b>		
Eversholt Rail (UK) Limited	100,000	20,000
Intercompany accrued interest	14,170	14,226
	<u>114,170</u>	<u>34,226</u>
<b>Non-current assets</b>		
Eversholt Rail (UK) Limited	<u>1,340,000</u>	1,340,000
	<u>1,454,170</u>	<u>1,374,226</u>

The terms of these loans mirror the terms of the Company's external debt described in note 13.

**Non-current liabilities**

Eversholt Rail (UK) Limited	<u>35,539</u>	<u>34,951</u>
-----------------------------	---------------	---------------

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 (2015: Group's senior debt, plus margin).



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

for the 6 months ended 30 June 2016

**9 Derivative financial instruments**

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

	Carrying amount 30 June 2016	Fair value 30 June 2016	Carrying amount 31 December 2015	Fair value 31 December 2015
	£'000	£'000	£'000	£'000
<b>Current assets</b>				
Interest rate swaps	-	-	860	860
	-	-	<b>860</b>	<b>860</b>
<b>Non-current assets</b>				
Interest rate swaps	4,446	4,446	-	-
	<b>4,446</b>	<b>4,446</b>	-	-
<b>Non-current liabilities</b>				
Interest rate swaps	(169,339)	(169,339)	(88,805)	(88,805)
Interest rate swaps – hedge accounted	(50,803)	(50,803)	-	-
	<b>(220,142)</b>	<b>(220,142)</b>	<b>(88,805)</b>	<b>(88,805)</b>

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. During the period ended 30 June 2016, the following swaps were designated in hedge accounting relationships (31 Dec 2015: none)

Counterparty	Notional amount 30 June 2016 £'000	Maturity date	Fair value 30 June 2016 £'000	Other	Ineffective
				comprehensive income 30 June 2016 £'000	profit 30 June 2016 £'000
Relationship bank	-	01 April 2017	(6,357)	(6,315)	(42)
Relationship banks	-	01 October 2049	(34,714)	(34,277)	(438)
Relationship banks	-	30 June 2037	(9,732)	(9,672)	(61)

In the determining the fair value of derivative financial instruments, the Directors have taken into account the contractual cash flows attached to the instrument and an independently sourced yield curve for the reporting date.

**10 Trade and other receivables**

	30 June 2016 £'000	31 December 2015 £'000
<b>Receivables no later than one year:</b>		
Prepayments	-	3

**11 Cash and cash equivalents**

Cash and cash equivalents are analysed as:

	30 June 2016 £'000	31 December 2015 £'000
Bank balances	642	500

£500,000 (year ended 31 December 2015: £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.

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

for the 6 months ended 30 June 2016

**12 Trade and other payables**

	30 June 2016 £'000	31 December 2015 £'000
Fees and other payables accrued	<u>257</u>	<u>372</u>

**13 Borrowings**

	30 June 2016 £'000	31 December 2015 £'000
<b>Current</b>		
Bank loans	100,000	20,000
Interest accrued	14,169	14,226
Transaction costs	(1,894)	(1,622)
	<u>112,275</u>	<u>32,604</u>
<b>Non-current</b>		
Bonds	1,340,000	1,340,000
Transaction costs	(8,615)	(9,701)
	<u>1,331,385</u>	<u>1,330,299</u>
	<u>1,443,660</u>	<u>1,362,903</u>

Costs directly attributable to borrowings are capitalised and recognised in the Income Statement using the effective interest rate method.

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	2028-2036	LIBOR+margin
£90m	2030	Fixed rate
£50m	2028-2036	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 Investment Limited (Security Group) has granted security over all of its assets to enable it to secure this financing.

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

**14 Related party transactions**

The company has loan accounts with fellow subsidiaries which are more fully described in note 8 and note 13. Interest on these accounts is more fully described in notes 4 and 5.

**15 Contingent liabilities**

There were no contingent liabilities for the Company at 30 June 2016.

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

for the 6 months ended 30 June 2016

**16 Subsequent events**

On 2 August 2016 the Group signed contracts with First Greater Western Limited and Hitachi Rail Europe Limited to purchase and lease new rolling stock.

Finance Act 2016 received Royal Assent on 15<sup>th</sup> September 2016 thereby substantively enacting a reduction in corporation tax rate to 17% from 1 April 2020. This will result in a reduction of deferred tax asset.