

# **Eversholt Funding plc**

**Unaudited, condensed interim financial statements  
for the 6 months ended 30 June 2015**

**Registered No: 7329930**

**Condensed interim financial statements**

for the 6 months ended 30 June 2015

**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 2015

		6 months ended	
	<i>Notes</i>	30 June 2015	30 June 2014
		£'000	£'000
<b>Revenue</b>			
Fee income		-	8
Finance income	4	<u>41,282</u>	<u>41,696</u>
<b>Gross Profit</b>		<b>41,282</b>	<b>41,704</b>
Finance expense	5	<b>(41,565)</b>	(41,792)
Net fair value gain/(loss) on derivative financial instruments		<b>10,237</b>	(10,889)
Administrative expense	6	<b>(29)</b>	(16)
<b>Profit/(loss) before tax</b>		<b>9,925</b>	(10,993)
Income tax (charge) / credit		<b>(1,987)</b>	1,100
<b>Profit/(loss) for the period</b>		<b><u>7,938</u></b>	<b><u>(9,893)</u></b>

There were no discontinued or discontinuing operations during the period.

The notes on pages 6 to 9 form an integral part of these financial statements.

**Condensed statement of comprehensive income**

for the 6 months ended 30 June 2015

There has been no comprehensive income or expense other than the loss for the period as shown above (6 months ended 30 June 2014: nil).

**Condensed statement of financial position**

as at 30 June 2015

		30 June 2015 £'000	31 December 2014 £'000
	<i>Notes</i>		
<b>Assets</b>			
<b>Non-current assets</b>			
Amounts owed by group undertakings	8	1,350,000	1,350,000
Deferred tax	7	19,401	21,449
		<u>1,369,401</u>	<u>1,371,449</u>
<b>Current assets</b>			
Trade and other receivables	10	12	-
Amounts owed by group undertakings	8	12,964	48,174
Current tax		63	8
Cash and cash equivalents	11	500	500
		<u>13,539</u>	<u>48,682</u>
<b>Total assets</b>		<u>1,382,940</u>	<u>1,420,131</u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	12	9	40
Borrowings	13	11,204	46,412
		<u>11,213</u>	<u>46,452</u>
<b>Non-current liabilities</b>			
Borrowings	13	1,341,221	1,340,327
Amounts owed to group undertakings		8,327	8,873
Derivative financial instruments	9	97,005	107,243
		<u>1,446,553</u>	<u>1,456,443</u>
<b>Total liabilities</b>		<u>1,457,766</u>	<u>1,502,895</u>
<b>Equity</b>			
Share capital		50	50
Accumulated deficit		(74,876)	(82,814)
<b>Total equity</b>		<u>(74,826)</u>	<u>(82,764)</u>
<b>Total equity and liabilities</b>		<u>1,382,940</u>	<u>1,420,131</u>

The notes on pages 6 to 9 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 24 August 2015. They were signed on its behalf by:



**D G Stickland**  
Director

Company registration number: 7329930

**Condensed statement of cash flows**

for the 6 months ended 30 June 2015

	Note	6 months ended	
		30 June 2015 £'000	30 June 2014 £'000
<b>Profit/(loss) before tax</b>		9,925	(10,993)
Adjustments for:			
- Finance expense		41,565	41,792
- Finance income		(41,282)	(41,696)
- Capitalisation of finance charges		-	(217)
- Fair value adjustment on derivative financial instruments		(10,237)	10,889
<b>Operating cash flow before changes in working capital</b>		(29)	(225)
Decrease in trade and other payables		(31)	(184)
Increase in trade and other receivables		(12)	(2)
<b>Cash generated by operating activities</b>		(72)	(411)
Group relief		5	488
<b>Net cash generated by operating activities</b>		(67)	77
<b>Investing activities</b>			
Amounts repaid by / (lent to) group entities		35,000	(19,854)
Interest received on intra-group loans		41,494	41,696
<b>Net cash generated by investing activities</b>		76,494	21,842
<b>Financing activities</b>			
Movement in amounts owed to group undertakings		348	1,067
Intercompany accrued interest		(257)	-
Borrowings (repaid) / raised		(35,000)	19,000
Interest paid on bonds		(37,618)	(37,583)
Interest paid on bank loans		(950)	(1,242)
Interest paid on derivative financial instruments		(2,924)	(3,824)
Interest received on derivative financial instruments		-	672
Other finance expense		(26)	(99)
Other finance income		-	3
<b>Net cash utilised in financing activities</b>		(76,427)	(22,006)
<b>Net (decrease) in cash and cash equivalents</b>		-	(87)
Cash and cash equivalents at beginning of the period		500	587
<b>Cash and cash equivalents at end of the period</b>	11	500	500

**Condensed statement of changes in equity**

for the 6 months ended 30 June 2015

	Called up share capital £'000	Accumulated deficit £'000	Total shareholders' equity £'000
<b>Balance at 1 January 2014</b>	50	(43,698)	(43,648)
Loss for the year	-	(39,116)	(39,116)
<b>Balance at 31 December 2014</b>	<u>50</u>	<u>(82,814)</u>	<u>(82,764)</u>

	Called up share capital £'000	Accumulated deficit £'000	Total shareholders' equity £'000
<b>Balance at 1 January 2015</b>	50	(82,814)	(82,764)
Profit for the period	-	7,938	7,938
<b>Balance at 30 June 2015</b>	<u>50</u>	<u>(74,876)</u>	<u>(74,826)</u>

**Notes to the condensed interim financial statements**

for the 6 months ended 30 June 2015

**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. In 2015, the financial statements have been converted from £ to £'000. All amounts have been rounded to the nearest thousand, unless otherwise indicated. In the opinion of the Directors, the conversion was required to become clearer to the reader of these financial statements.

**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 2014. 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 2014.

**2.2 Going concern**

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company have 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 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 2014.

**4 Finance income**

	<b>6 months ended</b>	
	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>£'000</b>	<b>£'000</b>
Interest on intra-group loans	41,282	41,695
Interest on bank accounts	-	1
	<u>41,282</u>	<u>41,696</u>

**5 Finance expense**

	<b>6 months ended</b>	
	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable on bank loans	934	1,244
Interest payable on derivative financial instruments	2,924	3,063
Interest payable on bonds	37,424	37,385
Interest on intra-group loan	257	-
Fees payable	26	100
	<u>41,565</u>	<u>41,792</u>

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

for the 6 months ended 30 June 2015

**6 Administrative expense**

Administrative expenses include the following:

	<b>6 months ended</b>	
	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>£'000</b>	<b>£'000</b>
Audit fees	5	5

The Company has no employees and hence no staff costs (6 months ended 30 June 2014: nil)

**7 Deferred tax**

Deferred tax arises on cumulative unrealised mark to market profits and losses on a company's derivative financial instruments.

	<b>30 June 2015 £'000</b>	<b>31 December 2014 £'000</b>
Balance at beginning of the year	21,449	11,706
Income statement (charge) / credit	<u>(2,048)</u>	<u>9,743</u>
Balance at end of the period/year	<u>19,401</u>	<u>21,449</u>

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 2015 has been calculated based on the rate of 20% substantively enacted at the reporting date.

Further reductions to 19% from 1 April 2017 and 18% from 1 April 2020 were announced in the budget of 8 July 2015 and are expected to be substantially enacted in Autumn 2015. These announcements will be incorporated in the results when Royal Assent is given and therefore will reduce the Company's future current tax charge accordingly.

**8 Loan receivables**

	<b>30 June 2015 £'000</b>	<b>31 December 2014 £'000</b>
<b>Current</b>		
Eversholt Rail (UK) Limited	-	35,000
Intercompany accrued interest	<u>12,964</u>	<u>13,174</u>
	<u>12,964</u>	<u>48,174</u>
<b>Non-current</b>		
Eversholt Rail (UK) Limited	<u>1,350,000</u>	<u>1,350,000</u>
	<u>1,362,964</u>	<u>1,398,174</u>

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



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

for the 6 months ended 30 June 2015

**9 Derivative financial instruments**

	30 June 2015 £'000	31 December 2014 £'000
<b>Non-current</b>		
Interest rate derivative financial instruments - liabilities	<u>(97,005)</u>	<u>(107,243)</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. None of the contracts have been designated as qualifying hedging relationships. (year ended 31 December 2014: None). The contracts are measured at fair value, with all revaluation gains recognised in the income statement.

The fair value of derivative financial instruments was based on market rates on 30 June 2015.

**10 Trade and other receivables**

	30 June 2015 £'000	31 December 2014 £'000
<b>Receivables no later than one year:</b>		
Prepayments	<u>12</u>	<u>-</u>

**11 Cash and cash equivalents**

Cash and cash equivalents are analysed as:

	30 June 2015 £'000	31 December 2014 £'000
Bank balances	<u>500</u>	<u>500</u>

£500,000 (year ended 31 December 2014: £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.

**12 Trade and other payables**

	30 June 2015 £'000	31 December 2014 £'000
Trade and other payables	<u>9</u>	<u>40</u>

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

for the 6 months ended 30 June 2015

**13 Borrowings**

	<b>30 June 2015 £'000</b>	<b>31 December 2014 £'000</b>
<b>Current</b>		
Bank loans	-	35,000
Interest accrued	12,964	13,174
Capitalised fees	(1,760)	(1,762)
	<u>11,204</u>	<u>46,412</u>
<b>Non-current</b>		
Bank loans	100,000	100,000
Bonds	1,250,000	1,250,000
Capitalised fees	(8,779)	(9,673)
	<u>1,341,221</u>	<u>1,340,327</u>
	<u>1,352,425</u>	<u>1,386,739</u>

Fees incurred on raising finance have been capitalised. These fees will be amortised over the term of the borrowings. Bank loans currently bear interest at a margin over GBP LIBOR.

<b>Publicly traded bond principal amount</b>	<b>Due date</b>	<b>Annual Interest rate Semi-annual coupon</b>
£300m	2020	5.8%
£400m	2025	6.4%
£400m	2021-2035	6.7%
<b>Privately placed bond principal amount</b>		
£100m	2028-2036	LIBOR+margin
£50m	2028-2036	Fixed rate

Eversholt Investment Limited (Security Group) has granted security over substantially all of its assets to obtain external financing by way of bond issues and bank loans.

The financing documents under which the bank loans and bonds operate 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. None of the bonds are subject to any further put options.

**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.

Nothing has been charged to Eversholt Rail (UK) Ltd for the period (6 months ended 30 June 2014: £7,500).

**15 Contingent liabilities**

There were no contingent liabilities for the Company at 30 June 2015.

**16 Subsequent events**

On 29 July 2015, European Rail Finance (GB) Limited signed a contract with First Great Western to procure and finance 173 new AT300 vehicles at a cost of £361 million. The Company drew on its revolving credit facility to fund the initial payment and has entered into interest rate swaps to hedge the risk to cash flows arising from fluctuating funding rates.