

Eversholt Funding plc

**Unaudited, condensed interim financial statements
for the 6 months ended 30 June 2013**

Registered No: 7329930

Unaudited

Condensed interim financial statements

for the 6 months ended 30 June 2013

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Unaudited

Condensed income statement

for the 6 months ended 30 June 2013

	<i>Notes</i>	6 months ended	
		30 June 2013	30 June 2012
		£	£
Revenue			
Fee income		7,500	7,500
Finance income	4	<u>43,887,207</u>	<u>44,835,956</u>
		43,894,707	44,843,456
Finance expense	5	(43,916,519)	(45,050,647)
Net fair value gain/(loss) on derivative financial instruments		<u>28,173,662</u>	<u>(11,835,536)</u>
		28,151,850	(12,042,727)
Administrative expense	6	<u>(28,425)</u>	<u>(11,805)</u>
Profit/(loss) before tax		28,123,425	(12,054,532)
Taxation (charge)/credit		<u>(2,542,151)</u>	<u>1,312,086</u>
Profit/(loss) for the period		<u>25,581,274</u>	<u>(10,742,446)</u>

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 2013

There has been no comprehensive income or expense other than the profit for the period as shown above (6 months ended 30 June 2012: nil).


Condensed statement of financial position

as at 30 June 2013

	Notes	30 June 2013 £	31 December 2012 £
Assets			
Non-current assets			
Deferred tax	7	18,658,722	22,351,658
Loans receivable	8	1,528,949,999	1,591,949,999
Derivative financial instruments	9	-	741,177
		<u>1,547,608,721</u>	<u>1,615,042,834</u>
Current assets			
Loans receivable	8	573,832	2,446,962
Trade and other receivables	10	498	1,389
Current tax		1,212,656	61,871
Cash and cash equivalents	11	3,937,436	502,607
		<u>5,724,422</u>	<u>3,012,829</u>
Total assets		<u>1,553,333,143</u>	<u>1,618,055,663</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	12	4,930	208,903
Derivative financial instruments	9	15,973	-
Borrowings	13	13,496,336	10,227,680
		<u>13,517,239</u>	<u>10,436,583</u>
Non-current liabilities			
Borrowings	13	1,517,696,244	1,578,211,055
Derivative financial instruments	9	65,052,659	97,922,298
		<u>1,582,748,903</u>	<u>1,676,133,353</u>
Total liabilities		<u>1,596,266,142</u>	<u>1,686,569,936</u>
Equity			
Share capital		50,000	50,000
Accumulated deficit		(42,982,999)	(68,564,273)
Total equity		<u>(42,932,999)</u>	<u>(68,514,273)</u>
Total equity and liabilities		<u>1,553,333,143</u>	<u>1,618,055,663</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 22 August 2013. They were signed on its behalf by:



M B Kenny
Director

Company registration number: 7329930

Condensed statement of cash flows

for the 6 months ended 30 June 2013

	Note	6 months ended	
		30 June 2013	30 June 2012
		£	£
Profit/(loss) before tax		28,123,425	(12,054,532)
Finance expense		43,916,519	45,050,647
Finance income		(43,887,207)	(44,835,956)
Amortisation of capitalised finance charges		2,648,710	1,641,983
Unrealised (gain)/loss on fair value of derivative financial instruments		(28,173,662)	11,835,536
Operating cash flows before changes in working capital		2,614,947	1,637,678
Adjustments for:			
- (Decrease)/increase in trade and other payables		(203,973)	1,684,087
- Increase in trade and other receivables		-	(1,270)
Cash generated by operating activities		2,423,812	3,320,495
Group relief		-	(2,119,278)
Realised loss on derivative financial instrument.		(3,938,827)	-
Net cash (utilised in)/generated by operating activities		(1,515,015)	1,201,217
Investing activities			
Intragroup term loans raised		63,000,000	-
Interest received on bonds		37,253,637	34,820,700
Interest received on bank loans		3,560,769	6,743,906
Interest received on swaps		2,977,053	3,188,307
Interest received on working capital loan		94,969	83,001
Net cash generated by investing activities		106,886,428	44,835,914
Financing activities			
Movement on intercompany account with Eversholt Rail (UK) Limited		1,873,130	(18,437,473)
Borrowings repaid external		(63,000,000)	-
Interest paid on bonds		(37,612,081)	(34,864,000)
Interest paid on bank loans		(3,529,624)	(6,748,395)
Interest paid on swaps		(1,356,599)	(642,852)
Interest received on swaps		1,812,796	2,341,345
Other finance expense		(125,060)	(297,733)
Other finance income		854	41
Net cash utilised in financing activities		(101,936,584)	(58,649,067)
Net increase/(decrease) in cash and cash equivalents		3,434,829	(12,611,936)
Cash and cash equivalents at beginning of the year		502,607	13,112,641
Cash and cash equivalents at the end of period	11	3,937,436	500,705

Condensed statement of changes in equity

for the 6 months ended 30 June 2013

	Called up share capital £	Accumulated deficit £	Total shareholders' equity £
Balance at 1 January 2012	50,000	(48,337,136)	(48,287,136)
Loss for the period	-	(10,742,446)	(10,742,446)
Balance at 30 June 2012	<u>50,000</u>	<u>(59,079,582)</u>	<u>(59,029,582)</u>
Loss for the period	-	(9,484,691)	(9,484,691)
Balance at 31 December 2012	<u>50,000</u>	<u>(68,564,273)</u>	<u>(68,514,273)</u>

	Called up share capital £	Accumulated deficit £	Total shareholders' equity £
Balance at 1 January 2013	50,000	(68,564,273)	(68,514,273)
Profit for the period	-	25,581,274	25,581,274
Balance at 30 June 2013	<u>50,000</u>	<u>(42,982,999)</u>	<u>(42,932,999)</u>

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2013

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 pound sterling because that is the currency of the primary economic environment in which the Company operates.

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 2012. 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.

2.2 Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group 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 2012.

4 Finance income

	6 months ended	
	30 June 2013	30 June 2012
	£	£
Interest on intra-group loans	43,791,459	44,751,772
Interest on bank accounts	779	1,311
Interest received from Eversholt Rail (UK) Limited	94,969	82,873
	<u>43,887,207</u>	<u>44,835,956</u>

5 Finance expenses

	6 months ended	
	30 June 2013	30 June 2012
	£	£
Interest payable on bank loans	(3,560,769)	(6,743,906)
Interest payable on derivative financial instruments	(2,977,053)	(3,188,307)
Interest payable on bonds	(37,253,637)	(34,820,700)
Fees payable	(125,060)	(297,734)
	<u>(43,916,519)</u>	<u>(45,050,647)</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2013

6 Administrative expense

Administrative expenses include the following:

	6 months ended	
	30 June 2013	30 June 2012
	£	£
Audit fees	(4,929)	(5,357)

The Company has no employees and hence no staff costs (6 months ended 30 June 2012: nil)

7 Deferred tax

Deferred tax arises on timing differences of a derivative financial instrument

	30 June 2013	31 December 2012
	£	£
Balance at beginning of the year	22,351,658	18,296,762
Income statement (charge)/credit	(3,692,936)	4,054,896
Balance at end of the period/year	<u>18,658,722</u>	<u>22,351,658</u>

The Spring Statement on 20 March 2013 announced that the UK Corporation Tax rate would reduce to 20% by 2015. This followed an earlier announcement in December 2012 that the rate would fall to 21% by 1 April 2014. These planned reductions will reduce the company's future current tax charge accordingly. However, as neither the 21% rate or the 20% rate has been enacted as at 30 June 2013, only the effect of the current 23% rate has been included in these accounts.

8 Loans receivable

	30 June 2013	31 December 2012
	£	£
Current		
Eversholt Rail (UK) Limited	573,832	2,446,962
	<u>573,832</u>	<u>2,446,962</u>
Non-current		
European Rail Finance Limited	1,185,037,255	1,237,460,147
European Rail Finance (GB) Limited	56,784,468	58,916,271
Eversholt Rail (380) Limited	174,767,877	178,208,598
Eversholt Depot Finance (UK) Limited	17,968,891	18,779,673
Eversholt Rail Holdings (UK) Limited	92,593,158	96,786,960
Eversholt Rail (UK) Limited	1,798,350	1,798,350
	<u>1,528,949,999</u>	<u>1,591,949,999</u>
	<u>1,529,523,831</u>	<u>1,594,396,961</u>

All intercompany loans are unsecured and are repayable on demand. Interest is recharged at the market rate paid by the company.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2013

9 Derivative financial instruments

	30 June 2013 £	31 December 2012 £
Current		
Interest rate swaps - liabilities	(15,973)	
Non-current		
Interest rate swaps - assets	-	741,177
Interest rate swaps - liabilities	(65,052,659)	(97,922,298)
	<u>(65,052,659)</u>	<u>(97,181,121)</u>

The Company has a number of interest rate swap contracts which have been entered into to mitigate the risk of fluctuating interest rates on the cash flows arising on variable rate debt.

None of the swaps were designated in hedge accounting relationships. (year ended 31 December 2012: None)

The fair value of derivative financial instruments was based on market rates on 28 June 2013.

10 Trade and other receivables

	30 June 2013 £	31 December 2012 £
Receivables no later than one year:		
Trade receivables	<u>498</u>	<u>1,389</u>

11 Cash and cash equivalents

Cash and cash equivalents are analysed as:

	30 June 2013 £	31 December 2012 £
Bank balances	<u>3,937,436</u>	<u>502,607</u>

£0.5 million (year ended 31 December 2012: £0.5 million) of cash and cash equivalents is restricted cash in terms of the agreement with the security trustee for the Company's bond holders.

12 Trade and other payables

	30 June 2013 £	31 December 2012 £
Trade and other payables	<u>4,930</u>	<u>208,903</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2013

13 Borrowings

	30 June 2013 £	31 December 2012 £
Current		
Interest accrued	16,405,992	13,300,857
Capitalised fees	<u>(2,909,656)</u>	<u>(3,073,177)</u>
	13,496,336	10,227,680
Non-current		
Bank loans	278,950,000	341,950,000
Bonds	1,250,000,000	1,250,000,000
Capitalised fees	<u>(11,253,756)</u>	<u>(13,738,945)</u>
	1,517,696,244	1,578,211,055
	<u>1,531,192,580</u>	<u>1,588,438,735</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 1 month GBP LIBOR.

Bond principal amount

	Due date	Interest rate Semi-annual coupon
£300m	2020	5.8%
£400m	2025	6.4%
£400m	2021-2035	6.7%
£100m	2028-2036	Libor + 2.33%
£50m	<u>2028-2036</u>	<u>5.01%</u>

None of the bonds contain a put option.

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.

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

14 Transactions with related parties

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.

A management fee of £7,500 has been charged to Eversholt Rail (UK) Ltd for the period. (6 months ended 30 June 2012: £7,500).

15 Contingent liabilities

There were no contingent liabilities for the Company at 30 June 2013.

16. Subsequent events

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