

Eversholt Funding plc

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

Registered No: 7329930

Condensed interim financial statements

for the 6 months ended 30 June 2014

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Unaudited

Condensed income statement
for the 6 months ended 30 June 2014

		6 months ended	
		30 June 2014	30 June 2013
	<i>Notes</i>	£	£
Revenue			
Fee income		7,500	7,500
Finance income	4	<u>41,696,341</u>	<u>43,887,207</u>
Gross Profit		41,703,841	43,894,707
Finance expense	5	(41,791,872)	(43,916,519)
Net fair value (loss)/gain on derivative financial instruments		(10,888,682)	28,173,662
Administrative expense	6	<u>(15,859)</u>	<u>(28,425)</u>
(Loss)/profit before tax		(10,992,572)	28,123,425
Taxation		<u>1,100,121</u>	<u>(2,542,151)</u>
(Loss)/profit for the period		<u>(9,892,451)</u>	<u>25,581,274</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 2014

There has been no comprehensive income or expense other than the loss for the period as shown above (6 months ended 30 June 2013: nil).

Condensed statement of financial position

as at 30 June 2014

		30 June 2014 £	31 December 2013 £
Assets	Notes		
Non-current assets			
Loan receivables	8	1,354,135,969	1,349,999,999
Deferred tax	7	12,771,213	11,705,798
		<u>1,366,907,182</u>	<u>1,361,705,797</u>
Current assets			
Trade and other receivables	10	47,764	45,378
Derivative financial instruments	9	-	2,728
Loan receivable	8	35,000,000	19,284,320
Current tax		34,706	488,083
Cash and cash equivalents	11	500,505	587,415
		<u>35,582,975</u>	<u>20,407,924</u>
Total assets		<u>1,402,490,157</u>	<u>1,382,113,721</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	12	4,928	187,683
Borrowings	13	46,124,913	27,322,675
		<u>46,129,841</u>	<u>27,510,358</u>
Non-current liabilities			
Borrowings	13	1,340,483,549	1,339,720,100
Derivative financial instruments	9	69,417,670	58,531,715
		<u>1,409,901,219</u>	<u>1,398,251,815</u>
Total liabilities		<u>1,456,031,060</u>	<u>1,425,762,173</u>
Equity			
Share capital		50,000	50,000
Accumulated deficit		(53,590,903)	(43,698,452)
Total equity		<u>(53,540,903)</u>	<u>(43,648,452)</u>
Total equity and liabilities		<u>1,402,490,157</u>	<u>1,382,113,721</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 26 August 2014. 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 2014

	Note	6 months ended	
		30 June 2014	30 June 2013
		£	£
(Loss)/profit before tax		(10,992,572)	28,123,425
Adjustments for:			
- Finance expense		41,791,872	43,916,519
- Finance income		(41,696,341)	(43,887,207)
- Amortisation of capitalised finance charges		1,067,286	2,648,710
- Capitalisation of finance charges		(217,002)	-
- Fair value adjustment on derivative financial instruments		10,888,682	(28,173,662)
Operating cash flow before changes in working capital		841,925	2,627,785
Decrease in trade and other payables		(182,755)	(203,973)
Increase in trade and other receivables		(2,386)	-
Cash generated by operating activities		656,784	2,423,812
Group relief		488,085	-
Realised loss on derivative financial instruments.		-	(3,938,827)
Net cash generated by/(utilised in) operating activities		1,144,869	(1,515,015)
Investing activities			
Intragroup term loans (repaid) / raised		(19,854,151)	64,873,130
Interest on intra-group loans		41,695,708	43,886,428
Net cash generated by investing activities		21,841,557	108,759,558
Financing activities			
Borrowings raised / (repaid)		19,000,000	(63,000,000)
Interest paid on bonds		(37,583,250)	(37,612,081)
Interest paid on bank loans		(1,242,202)	(3,529,624)
Interest paid on derivative financial instruments		(3,823,984)	(1,356,599)
Interest received on derivative financial instruments		672,456	1,812,796
Other finance expense		(99,490)	(125,060)
Other finance income		3,134	854
Net cash utilised in financing activities		(23,073,336)	(103,809,714)
Net (decrease)/increase in cash and cash equivalents		(86,910)	3,434,829
Cash and cash equivalents at beginning of the period		587,415	502,607
Cash and cash equivalents at end of the period	11	500,505	3,937,436

Condensed statement of changes in equity

for the 6 months ended 30 June 2014

	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 year	-	24,865,821	24,865,821
Balance at 31 December 2013	<u>50,000</u>	<u>(43,698,452)</u>	<u>(43,648,452)</u>

	Called up share capital £	Accumulated deficit £	Total shareholders' equity £
Balance at 1 January 2014	50,000	(43,698,452)	(43,648,452)
Loss for the period	-	(9,892,451)	(9,892,451)
Balance at 30 June 2014	<u>50,000</u>	<u>(53,590,903)</u>	<u>(53,540,903)</u>

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

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 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 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 2013.

4 Finance income

	6 months ended	
	30 June 2014	30 June 2013
	£	£
Interest on intra-group loans	41,695,708	43,886,428
Interest on bank accounts	633	779
	<u>41,696,341</u>	<u>43,887,207</u>

5 Finance expenses

	6 months ended	
	30 June 2014	30 June 2013
	£	£
Interest payable on bank loans	1,243,736	3,560,769
Interest payable on derivative financial instruments	3,063,457	2,977,053
Interest payable on bonds	37,385,189	37,253,637
Fees payable	99,490	125,060
	<u>41,791,872</u>	<u>43,916,519</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2014

6 Administrative expense

Administrative expenses include the following:

	6 months ended	
	30 June 2014	30 June 2013
	£	£
Audit fees	4,929	4,929

The Company has no employees and hence no staff costs (6 months ended 30 June 2013: nil)

7 Deferred tax

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

	30 June 2014	31 December 2013
	£	£
Balance at beginning of the year	11,705,798	22,351,658
Income statement credit / (charge)	1,065,415	(10,645,860)
Balance at end of the period/year	<u>12,771,213</u>	<u>11,705,798</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 2014 has been calculated based on the rates of 20% and 21% substantively enacted at the reporting date.

8 Loan receivables

	30 June 2014	31 December 2013
	£	£
Current		
European Rail Finance Limited	-	13,313,750
European Rail Finance (GB) Limited	-	541,410
Eversholt Rail (380) Limited	-	873,834
Eversholt Depot Finance (UK) Limited	-	205,913
Eversholt Rail Holdings (UK) Limited	-	1,065,093
Eversholt Rail (UK) Limited	35,000,000	3,284,320
	<u>35,000,000</u>	<u>19,284,320</u>
Non-current		
European Rail Finance Limited	-	1,036,131,277
European Rail Finance (GB) Limited	-	50,729,133
Eversholt Rail (380) Limited	-	164,994,590
Eversholt Depot Finance (UK) Limited	-	15,665,887
Eversholt Rail Holdings (UK) Limited	-	80,680,763
Eversholt Rail (UK) Limited	1,354,135,969	1,798,349
	<u>1,354,135,969</u>	<u>1,349,999,999</u>
	<u>1,389,135,969</u>	<u>1,369,284,319</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 2014

9 Derivative financial instruments

	30 June 2014 £	31 December 2013 £
Current		
Interest rate derivative financial instruments - liabilities		2,728
Non-current		
Interest rate derivative financial instruments - assets		
Interest rate derivative financial instruments - liabilities	(69,417,670)	(58,531,715)

The Company has a number of interest rate derivative financial instruments 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 swaps were designated in hedge accounting relationships (year ended 31 December 2013: None).

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

10 Trade and other receivables

	30 June 2014 £	31 December 2013 £
Receivables no later than one year:		
Interest receivable	264	378
Intra group service fee	47,500	45,000
	<u>47,764</u>	<u>45,378</u>

11 Cash and cash equivalents

Cash and cash equivalents are analysed as:

	30 June 2014 £	31 December 2013 £
Bank balances	500,505	587,415

£500,000 (year ended 31 December 2013: £500,000) of cash and cash equivalents is restricted cash in terms of the agreement with the security trustee for the Company's secured creditors.

12 Trade and other payables

	30 June 2014 £	31 December 2013 £
Trade and other payables	4,928	187,683

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2014

13 Borrowings

	30 June 2014 £	31 December 2013 £
Current		
Bank loans	35,000,000	16,000,000
Interest accrued	12,943,519	13,228,117
Capitalised fees	(1,818,606)	(1,905,442)
	<u>46,124,913</u>	<u>27,322,675</u>
Non-current		
Bank loans	100,000,000	100,000,000
Bonds	1,250,000,000	1,250,000,000
Capitalised fees	(9,516,451)	(10,279,900)
	<u>1,340,483,549</u>	<u>1,339,720,100</u>
	<u>1,386,608,462</u>	<u>1,367,042,775</u>

The current element of bank loans of £35,000,000 is the drawn element of a £500,000,000 revolving credit facility committed until November 2018.

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.

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.

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 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.

A management fee of £7,500 has been charged to Eversholt Rail (UK) Ltd for the period. (6 months ended 30 June 2013: £7,500).

15 Contingent liabilities

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

16 Subsequent events

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