

Eversholt Investment Limited

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

Registered No: IR490363

Eversholt Investment Limited

Condensed, consolidated interim financial statements for the 6 months ended 30 June 2015

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Eversholt Investment Limited

Condensed, consolidated income statement

for the 6 months ended 30 June 2015

		6 months ended	
	Notes	30 June 2015 £'000	30 June 2014 £'000
Revenue			
Finance lease income		397	466
Operating lease income		147,807	139,307
Maintenance income		42,443	32,453
Other income		773	1,358
Total income		191,420	173,584
Cost of sales	4	(100,817)	(95,930)
Gross profit		90,603	77,654
Finance income	5	209	232
Finance expense	6	(70,329)	(76,895)
Net fair value gain/(loss) on derivatives		10,156	(10,889)
Administrative expense	7	(12,080)	(8,430)
Profit on disposal of property, plant and equipment		30,807	-
Profit/(loss) before tax		49,366	(18,328)
Taxation	10	(18,911)	(2,333)
Profit/(loss) for the period		30,455	(20,661)

There were no discontinued or discontinuing operations during the period.

Condensed, consolidated statement of comprehensive income

for the 6 months ended 30 June 2015

		6 months ended	
	Notes	30 June 2015 £'000	30 June 2014 £'000
Profit/(loss) for the period		30,455	(20,661)
Other comprehensive income			
Actuarial losses on defined benefit scheme	18	(735)	-
Tax credit in respect of actuarial losses on defined benefit scheme		149	-
Total comprehensive income/(expense) for the period		29,869	(20,661)

The notes on pages 6 to 12 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 2015. They were signed on its behalf by:


C Cullen
Director


M Walsh
Director

Company registration number: IR490363

Eversholt Investment Limited

Condensed, consolidated statement of financial position as at 30 June 2015

	Notes	30 June 2015 £'000	31 December 2014 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	1,675,954	1,752,665
Finance lease receivables		8,790	9,238
Trade and other receivables	9	19,924	4,315
Deferred tax	10	20,919	22,625
		<u>1,725,587</u>	<u>1,788,843</u>
Current assets			
Inventory		1,458	1,561
Finance lease receivables		867	823
Trade and other receivables	9	24,641	20,863
Cash and cash equivalents	12	105,642	56,740
		<u>132,608</u>	<u>79,987</u>
Total assets		<u>1,858,195</u>	<u>1,868,830</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	14	31,055	35,445
Current tax		12,240	7,795
Obligations under finance leases	15	13,423	11,990
Borrowings	16	11,204	46,413
Provisions		1,338	1,195
Deferred Revenue	13	3,547	11,116
		<u>72,807</u>	<u>113,954</u>
Non-current liabilities			
Borrowings	16	1,712,338	1,711,399
Deferred tax	10	91,197	86,027
Obligations under finance leases	15	77,078	76,493
Deferred revenue	13	117,563	93,518
Derivative financial instruments	11	97,136	107,292
Retirement benefit obligations	18	3,497	2,686
		<u>2,098,809</u>	<u>2,077,415</u>
Total liabilities		<u>2,171,616</u>	<u>2,191,369</u>
Equity			
Share capital		12	12
Share premium account		13,660	13,660
Accumulated deficit		(327,093)	(336,211)
Total equity		<u>(313,421)</u>	<u>(322,539)</u>
Total equity and liabilities		<u>1,858,195</u>	<u>1,868,830</u>

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C Cullen
Director


M Walsh
Director

Company registration number: IR490363

Eversholt Investment Limited

Condensed, consolidated statement of cash flows for the 6 months ended 30 June 2015

	6 months ended	
	30 June 2015	30 June 2014
Note	£'000	£'000
Cash flows from operating activities		
Profit/(loss) before tax	49,366	(18,328)
Adjustments for:		
- Depreciation	66,405	66,944
- Write down in the value of inventory	103	115
- Fair value adjustment on derivative financial instruments	(10,156)	10,889
- (Profit)/loss on disposal of property, plant and equipment	(30,807)	-
- Interest income	(209)	(232)
- Unwinding of capitalised finance charges	1,942	3,535
- Interest on borrowings	68,387	73,360
- Non-cash element of pension charge	76	-
Operating cash flow before changes in working capital	145,107	136,283
Decrease in finance lease receivables	404	388
(Increase)/decrease in trade and other receivables	(19,360)	414
Increase/(decrease) in deferred revenue	17,266	(10,302)
Increase in provisions	143	-
(Decrease)/increase in trade and other payables	(4,223)	1,038
Cash generated by operating activities	139,337	127,821
Tax paid	(7,442)	(4,298)
Interest received	181	1,065
Net cash generated by operating activities	132,076	124,588
Investing activities		
Acquisition of property, plant and equipment	(14,488)	(6,908)
Proceeds from disposal of property, plant and equipment	54,041	-
Net cash generated by/(utilised in) investing activities	39,553	(6,908)
Financing activities		
Loans raised	-	19,000
Interest on bank loans	(3,716)	(1,264)
Interest on bonds	(34,878)	(37,583)
Interest on Eversholt Investment Group (Luxembourg) Sarl loan	(23,749)	(14,171)
Profit participating preference dividends	(661)	(527)
Interest on derivative financial instruments	(2,924)	(3,152)
Finance expenses	(1,048)	(2,684)
Other interest	-	(23)
Bank loans repaid	(35,000)	-
Shareholder loan repaid	-	(85,829)
Dividends paid	(20,751)	-
Net cash utilised in financing activities	(122,727)	(126,233)
Net increase/(decrease) in cash and cash equivalents	48,902	(8,553)
Cash and cash equivalents at beginning of the period	56,740	88,219
Cash and cash equivalents at end of the period	105,642	79,666

Eversholt Investment Limited

Condensed, consolidated statements of changes in equity

for the 6 months ended 30 June 2015

	Called up share capital £'000	Share premium £'000	Accumulated deficit £'000	Total shareholders' equity £'000
Balance at 1 January 2014	12	13,660	(230,487)	(216,815)
Loss for the year	-	-	(53,943)	(53,943)
Dividend paid			(50,000)	(50,000)
Actuarial losses on defined benefit scheme after tax	-	-	(1,781)	(1,781)
Balance at 31 December 2014	12	13,660	(336,211)	(322,539)

	Called up share capital £'000	Share premium £'000	Accumulated deficit £'000	Total shareholders' equity £'000
Balance at 1 January 2015	12	13,660	(336,211)	(322,539)
Profit for the period	-	-	30,455	30,455
Dividend paid	-	-	(20,751)	(20,751)
Actuarial losses on defined benefit scheme after tax	-	-	(586)	(586)
Balance at 30 June 2015	12	13,660	(327,093)	(313,421)

Eversholt Investment Limited

Notes to the condensed, consolidated interim financial statements

for the 6 months ended 30 June 2015

1 General information

Eversholt Investment Limited (the "Company") is a company incorporated in the Republic of Ireland under the Companies Act. The registered office of the Company is Newmount House, 22-24 Mount Street Lower, Dublin 2. The Company is a wholly owned subsidiary of Eversholt Investment Group (Luxembourg) Sarl.

2 Basis of preparation

These financial statements are presented in £'000. In 2014, 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 consolidated financial statements of Eversholt Investment Limited 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 *IAS34 Interim Financial Reporting* as adopted 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 Group has 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 Group in this condensed, consolidated interim financial report are the same as those applied by the Group in its financial statements for the year ended 31 December 2014.

4 Cost of sales

	6 months ended	
	30 June 2015	30 June 2014
	£'000	£'000
Depreciation	66,089	66,671
Maintenance cost	34,625	29,144
Write down in the value of inventory	103	115
	<u>100,817</u>	<u>95,930</u>

5 Finance income

	6 months ended	
	30 June 2015	30 June 2014
	£'000	£'000
Bank interest	<u>209</u>	<u>232</u>

Eversholt Investment Limited

Notes to the condensed, consolidated interim financial statements (continued) for the 6 months ended 30 June 2015

6 Finance expense

	6 months ended	
	30 June 2015	30 June 2014
	£'000	£'000
Interest payable to Eversholt Investment (Luxembourg) Sarl	23,749	26,375
Profit participating preference share dividend	554	410
Interest payable on derivatives	2,924	3,064
Interest payable on bank loan	3,674	1,244
Interest expense on obligations under finance leases	2,018	4,154
Interest payable on bonds	34,684	37,385
Other finance costs	784	728
Unwinding of capitalised borrowing costs	1,942	3,535
	<u>70,329</u>	<u>76,895</u>

7 Administrative expense

Administrative expenses include the following:

	6 months ended	
	30 June 2015	30 June 2014
	£'000	£'000
Depreciation	316	273
Defined contribution pension costs	307	256
Audit fees	59	58

8 Property, plant and equipment

	Other assets	Rolling stock and other railway assets	Total
	£'000	£'000	£'000
Cost			
Balance at 1 January 2014	2,734	2,319,705	2,322,439
Additions	568	16,198	16,766
Disposals	-	-	-
Balance at 31 December 2014	<u>3,302</u>	<u>2,335,903</u>	<u>2,339,205</u>
Additions	87	14,401	14,488
Disposals	(397)	(42,163)	(42,560)
Balance at 30 June 2015	<u>2,992</u>	<u>2,308,141</u>	<u>2,311,133</u>
Depreciation			
Balance at 1 January 2014	1,471	450,553	452,024
Charge for the year	574	133,942	134,516
Disposals	-	-	-
Balance at 31 December 2014	<u>2,045</u>	<u>584,495</u>	<u>586,540</u>
Charge for the period	316	66,089	66,405
Disposals	(234)	(17,532)	(17,766)
Balance at 30 June 2015	<u>2,127</u>	<u>633,052</u>	<u>635,179</u>
Net carrying value			
Carrying value at 30 June 2015	865	1,675,089	1,675,954
Carrying value at 31 December 2014	1,257	1,751,408	1,752,665

Rolling stock has been pledged to secure borrowings of the Group. The Group is not permitted to pledge these assets as security for other borrowings.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2015

9 Trade and other receivables

	30 June 2015 £'000	31 December 2014 £'000
Receivables no later than one year:		
Trade receivables	2,013	4,682
Other receivables	720	691
Maintenance prepayment	21,908	15,490
	<u>24,641</u>	<u>20,863</u>
Receivables later than one year:		
Maintenance prepayment	<u>19,924</u>	<u>4,315</u>

10 Deferred tax

The following is the analysis of the deferred tax balances for financial reporting purposes:

	30 June 2015 £'000	31 December 2014 £'000
Deferred tax asset	(20,919)	(22,625)
Deferred tax liability	91,197	86,027
	<u>70,278</u>	<u>63,402</u>

Temporary differences relate principally to accelerated capital allowances and depreciation.

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 for the UK companies 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.

The deferred tax asset/liability at 30 June 2015 for the Irish companies has been calculated at 12.5% being the rate in force at the reporting date.

Legislation was introduced in the Finance Act 2015 to establish a new tax - the Diverted Profits Tax. The new tax regime levies a tax at 25 per cent on diverted profits arising from UK activity generated after 1 April 2015. The Company's results include an estimate of the impact of this new legislation.

Eversholt Investment Limited

Notes to the condensed, consolidated interim financial statements (continued) for the 6 months ended 30 June 2015

11 Derivative financial instruments

	30 June 2015 £'000	31 December 2014 £'000
Non-current		
FX forward contract - liabilities	131	50
Interest rates swaps - liabilities	97,005	107,242
	<u>97,136</u>	<u>107,292</u>

The Group has a number of interest rate swap contracts, which enable it to mitigate the risk of fluctuating interest rates on the cash flow exposures on the issued variable rate debt held.

During the period ended 30 June 2015, none of the swaps were designated in hedge accounting relationships (31 December 2014: None).

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

12 Cash and cash equivalents

Cash and cash equivalents are analysed as:

	30 June 2015 £'000	31 December 2014 £'000
Bank accounts	<u>105,642</u>	<u>56,740</u>

Within cash and cash equivalents there is a deposit of £26.5 million (year ended 31 December 2014: £26.4 million) which provides security for the Profit Participating Shares issued by one of the group undertakings. In addition £0.5 million (year ended 31 December 2014: £0.5 million) is restricted in terms of the agreement with the Law Debenture Trust Corporation plc.

13 Deferred revenue

	30 June 2015 £'000	31 December 2014 £'000
Current liability	<u>3,547</u>	<u>11,116</u>
Non-current liability	<u>117,563</u>	<u>93,518</u>

Rentals received in relation to future maintenance costs are deferred and released when these costs are incurred.

The deferred revenue arises in respect of the Group obligations in respect of maintenance contracts in certain leases.

14 Trade and other payables

	30 June 2015 £'000	31 December 2014 £'000
Trade payables	15,099	10,993
Lease rentals received in advance	1,711	9,190
Accruals	11,639	12,074
Interest accrual	728	847
VAT	1,878	2,341
	<u>31,055</u>	<u>35,445</u>

Eversholt Investment Limited

Notes to the condensed, consolidated interim financial statements (continued) for the 6 months ended 30 June 2015

15 Obligations under finance leases

	30 June 2015 £'000	31 December 2014 £'000
Total future minimum lease payments		
No later than one year	13,423	14,009
Later than one year and no later than five years	65,029	68,265
Later than five years	19,526	19,826
Gross investment in finance leases	<u>97,978</u>	102,100
Future finance costs	(7,477)	(13,617)
Present value of lease obligations	<u>90,501</u>	<u>88,483</u>
Present value of minimum lease payments		
No later than one year	<u>13,423</u>	11,990
Later than one year and no later than five years	58,122	57,557
Later than five years	18,956	18,936
	<u>77,078</u>	<u>76,493</u>
	<u>90,501</u>	<u>88,483</u>

16 Borrowings

	30 June 2015 £'000	31 December 2014 £'000
No later than one year		
Interest accrued	12,964	13,175
Capitalised fees	(1,760)	(1,762)
Bank loans	-	35,000
	<u>11,204</u>	<u>46,413</u>
Later than one year		
Bank loans	100,000	100,000
Bonds	1,250,000	1,250,000
Other loan	5,555	5,510
Profit participating preference shares	25,000	25,000
Capitalised fees	(8,779)	(9,673)
Eversholt Investment Group (Luxembourg) Sarl	340,562	340,562
	<u>1,712,338</u>	1,711,399
	<u>1,723,542</u>	<u>1,757,812</u>

Fees incurred on raising finance have been capitalised. These fees will be amortised over the term of the borrowings.

The Profit Participating Shares ("PPS") carry a right to quarterly dividends. The PPS dividend element has two parts. The first part confers a right to a LIBOR based return. The second part confers a right to 0.5% of post-tax profits arising in the issuing company during the reference period. The PPS are classified as a non-current liability as the holders of these shares have a fixed entitlement to a dividend.

The bank loans are from a consortium of banks. The loans are fully repayable by November 2018. Interest on these loans is currently charged at GBP Libor plus a margin (year ended 31 December 2014: GBP Libor plus a margin).

Eversholt Investment Limited

Notes to the condensed, consolidated interim financial statements (continued) for the 6 months ended 30 June 2015

16 Borrowings (continued)

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%
£100m	2028-2036	LIBOR+margin
£50m	2028-2036	Fixed rate

None of the bonds contain a put option.

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 and bonds being repayable on demand.

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

The loans from Eversholt Investment Group (Luxembourg) Sarl are unsecured and have no fixed repayment terms and are therefore technically repayable on demand although the amount that the Group can pay in each accounting period is limited by the terms of its external financing agreements. In addition, Eversholt Investment Group (Luxembourg) Sarl has confirmed that the loans it has provided to the Group are subordinated to the Group's external financing facilities.

17 Capital commitments

In respect of capital expenditure:

	30 June 2015 £'000	31 December 2014 £'000
Authorised and contracted	<u>213,822</u>	<u>189,697</u>

18 Retirement benefit obligations

	30 June 2015 £'000	31 December 2014 £'000
Opening Net Defined Benefit Liability	2,686	300
Employer's share of pension expense	221	433
Employer contributions	(145)	(315)
Total loss recognised in statement of comprehensive income	735	2,268
Closing Defined Benefit Liability	<u>3,497</u>	<u>2,686</u>

	30 June 2015 £'000	31 December 2014 £'000
Loss/(gain) due to liability experience	275	2,095
Loss due to liability assumption changes	1,177	1,265
Return on plan assets greater than discount rate	(717)	(1,092)
Total loss recognised in statement of comprehensive income	<u>735</u>	<u>2,268</u>

Notes to the condensed, consolidated interim financial statements (continued)

for the 6 months ended 30 June 2015

19 Fair value of financial assets and liabilities

Except where disclosed elsewhere, there are no material differences between the carrying value and the fair value of financial assets and liabilities as at 30 June 2015.

20 Related party transactions

20.1 Identity of related parties

On 17 April 2015, UK Rails Sarl acquired the Group and replaced Eversholt Investment Group (Luxembourg) Sarl as the ultimate parent undertaking (which is the ultimate controlling party). Eversholt Investment Group (Luxembourg) Sarl is now the immediate holding company of the Group.

20.2 Transactions with related parties

Loans with Eversholt Investment Group (Luxembourg) Sarl, refer note 16. Interest on these loans is disclosed in note 6.

21 Contingent liabilities

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

22 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 fleet will comprise 22 five-car and 7 nine-car trains, and is scheduled to enter service by December 2018. 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.