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Eversholt Investment Limited (Security Group)

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

Registered No: IR490363

Unaudited

Condensed, consolidated interim financial statement
for the 6 months ended 30 June 2013

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Unaudited

Condensed, consolidated income statement
for the 6 months ended 30 June 2013

	Notes	6 months ended	
		30 June 2013	30 June 2012
		£	£
Revenue			
Finance lease income		494,826	563,223
Operating lease income		133,927,804	133,792,603
Maintenance income		29,780,976	36,860,609
Other revenue		1,085,256	807,060
Total income		<u>165,288,862</u>	<u>172,023,495</u>
Cost of sales	4	(90,854,921)	(102,323,460)
Gross profit		<u>74,433,941</u>	<u>69,700,035</u>
Finance income	5	843,014	842,817
Finance expenses	6	(75,097,539)	(76,996,302)
Net fair value gain/(loss) on derivatives		28,173,662	(11,835,536)
Administrative expense	7	(7,390,068)	(7,448,700)
Disposal of property, plant and equipment		125,000	3,244,012
Profit/(Loss) before tax		<u>21,088,010</u>	<u>(22,493,674)</u>
Taxation (credit)/charge		(7,143,406)	3,769,415
Profit/(Loss) for the period		<u>13,944,604</u>	<u>(18,724,259)</u>


There were no discontinued or discontinuing operations during the period.

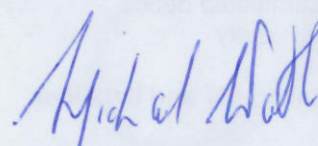
The notes on pages 6 to 11 form an integral part of these financial statements.

Condensed, consolidated statement of comprehensive income
for the 6 months ended 30 June 2013

	Note	6 months ended	
		30 June 2013	30 June 2012
		£	£
Profit/(loss) for the period		13,944,604	(18,724,259)
Dividend paid	17	-	(40,005,758)
Total comprehensive income/(expense) for the period		<u>13,944,604</u>	<u>(58,730,017)</u>

The financial statements were approved by Board of Directors and authorised for issue on 28 August 2013. They were signed on its behalf by:


Chris Cullen
Director


Michael Walsh
Director

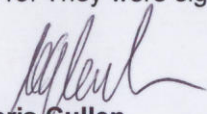
Company registration number: IR490363

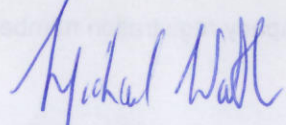
Condensed, consolidated statement of financial position
as at 30 June 2013

		30 June 2013 £	31 December 2012 £
Assets	Notes		
Non-current assets			
Property, plant and equipment	8	1,874,747,197	1,931,106,265
Finance lease receivables		10,790,069	11,197,360
Trade and other receivables	9	4,764,257	5,627,809
Derivative financial instruments	10	-	741,177
Investment in subsidiary		2,834,620	2,834,620
		<u>1,893,136,143</u>	<u>1,951,507,231</u>
Current assets			
Inventory		1,906,689	2,021,812
Finance lease receivables		783,404	735,476
Trade and other receivables	9	21,660,180	23,464,949
Cash and cash equivalents	11	170,312,960	141,375,503
Deferred revenue	12	522,519	698,793
		<u>195,185,752</u>	<u>168,296,533</u>
Total assets		<u>2,088,321,895</u>	<u>2,119,803,764</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	13	69,866,030	39,219,626
Current tax liabilities		4,684,981	11,480,159
Borrowings	14	12,973,558	10,227,679
Amounts owed to Eversholt Rail (365) Limited		24,916,221	19,681,836
Derivative financial instruments	10	15,973	-
Provisions		138,562	138,562
		<u>112,595,325</u>	<u>80,747,862</u>
Non-current liabilities			
Borrowings	14	1,914,934,747	1,978,302,399
Deferred tax	15	80,188,101	77,697,052
Deferred revenue	12	106,744,259	90,271,953
Provisions		83,562	83,562
Derivative financial instruments	10	65,052,659	97,922,298
		<u>2,167,003,328</u>	<u>2,244,277,264</u>
Total liabilities		<u>2,279,598,653</u>	<u>2,325,025,126</u>
Equity			
Share capital		12,000	12,000
Share premium account		13,660,000	13,660,000
Accumulated deficit		(204,948,758)	(218,893,362)
Total equity		<u>(191,276,758)</u>	<u>(205,221,362)</u>
Total equity and liabilities		<u>2,088,321,895</u>	<u>2,119,803,764</u>

The notes on pages 6 to 11 form an integral part of these financial statements.

The financial statements were approved by Board of Directors and authorised for issue on 28 August 2013. They were signed on its behalf by:


Chris Cullen
Director


Michael Walsh
Director

Company registration number: IR490363

Condensed, consolidated 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		21,088,010	(22,493,674)
Adjustments for:			
- Depreciation		64,676,405	70,149,211
- fair value adjustment on derivative financial instrument		(28,173,662)	11,835,536
Profit on disposal of property, plant and equipment		(125,000)	(3,244,012)
Unwinding of capitalised finance charges		2,635,872	1,641,980
Interest on borrowings		71,618,029	75,355,322
Operating cash flows before changes in working capital		131,719,654	133,244,363
Decrease in finance lease receivable		359,363	316,798
Decrease in inventory		115,123	115,123
Decrease/(increase) in trade and other receivables		4,386,335	(8,455,981)
Increase in deferred revenue		14,895,677	1,196,037
Decrease in provisions		-	(2,843)
Increase in trade and other payables		15,248,336	745,691
Cash flow generated by operating activities		166,724,488	127,159,188
Tax paid		(11,447,535)	(6,164,215)
Interest received		654,931	-
Realised loss on derivative financial instruments		(3,938,827)	-
Net cash generated by operating activities		151,993,057	120,994,973
Investing activities			
Acquisition of property, plant and equipment		(8,317,337)	(12,429,294)
Proceeds from disposal of property, plant and equipment		125,000	4,971,000
Net cash utilised in investing activities		(8,192,337)	(7,458,294)
Financing activities			
Interest on bank loans		(3,488,468)	(6,748,395)
Interest on bonds		(37,612,081)	(34,864,000)
Interest on Eversholt Investment Group (Luxembourg) Sarl loan		-	(36,520,808)
Profit participating preference dividends		(326,160)	(999,721)
Interest on derivative financial instruments		456,197	1,698,493
Finance expenses		(806,468)	(460,003)
Other interest		-	(477,612)
Increase in loan from Eversholt Rail (365) Limited		4,871,885	4,403,028
Ordinary dividends paid		-	(40,005,758)
Bank loans repaid		(62,999,988)	-
Shareholder loan repaid		(14,958,180)	(15,750,000)
Net cash utilised in financing activities		(114,863,263)	(129,724,776)
Net increase/(decrease) in cash and cash equivalents		28,937,457	(16,188,097)
Cash and cash equivalents at beginning of year		141,375,503	192,053,644
Cash and cash equivalents at end of period	11	170,312,960	175,865,547

Condensed, consolidated statement of changes in equity
for the 6 months ended 30 June 2013

	Called up share capital £	Share premium £	Accumulated deficit £	Total shareholders' equity £
Balance at 1 January 2012	12,000	13,660,000	(136,141,126)	(122,469,126)
Loss for the period	-	-	(18,724,259)	(18,724,259)
Dividend paid	-	-	(40,005,758)	(40,005,758)
Balance at 30 June 2012	12,000	13,660,000	(194,871,143)	(181,199,143)
Loss for the period	-	-	(24,022,219)	(24,022,219)
Balance at 31 December 2012	12,000	13,660,000	(218,893,362)	(205,221,362)

	Called up share capital £	Share premium £	Accumulated deficit £	Total shareholders' equity £
Balance at 1 January 2013	12,000	13,660,000	(218,893,362)	(205,221,362)
Profit for the period	-	-	13,944,604	13,944,604
Balance at 30 June 2013	12,000	13,660,000	(204,948,758)	191,276,758

Notes to the condensed, consolidated interim financial statements for the 6 months ended 30 June 2013

1 General information

Eversholt Investment – Security Group includes all companies in the Eversholt Rail Group, except Eversholt Rail (365) Limited. The registered office of the Company is Block 4, Harcourt Centre, Harcourt Road, Dublin 2.

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 Group operates.

2.1 Basis of consolidation

The consolidated financial statements of Eversholt Investment Limited and its subsidiaries (the Group), except for Eversholt Rail (365) Limited have been prepared solely for the purpose of meeting the reporting requirements of the Financing Documents dated 4 November 2010 entered into by the Company and certain of its subsidiaries.

The Group's interest in Eversholt Rail (365) Limited is not consolidated but stated at cost. All other subsidiaries are consolidated from the date that the Company gains control. The acquisition method of accounting is used when subsidiaries are acquired by the Group. The cost of acquisition is measured as the fair value of the consideration, including contingent consideration, given at the date of completion. Acquisition-related costs are recognised as an expense in the income statement in the period in which they are incurred. The acquired assets, liabilities and contingent liabilities are measured at their fair value at the date of acquisition.

Other than Eversholt Rail (365) Limited entities that are controlled by Eversholt Investment Limited are consolidated until the date that control ceases.

All inter-company transactions are eliminated on consolidation, other than transactions with Eversholt Rail (365) Limited.

2.2 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 IAS 34 *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 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 and should be read in conjunction with the financial statements for the year ended 31 December 2012.

2.3 Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and 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 Company in this condensed, consolidated interim financial report are the same as those applied by the Company in its financial statements for the year ended 31 December 2012.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2013

4 Cost of sales

	6 months ended	
	30 June 2013	30 June 2012
	£	£
Depreciation	(64,435,983)	(69,921,708)
Maintenance cost	(26,303,815)	(32,286,629)
Write down in the value of inventories	(115,123)	(115,123)
	<u>(90,854,921)</u>	<u>(102,323,460)</u>

5 Finance income

	6 months ended	
	30 June 2013	30 June 2012
	£	£
Bank interest	843,014	842,817

6 Finance expense

	6 months ended	
	30 June 2013	30 June 2012
	£	£
Interest and other expenses		
Interest payable to Eversholt Investment Group (Luxembourg) Sarl	(26,816,629)	(28,601,421)
Profit participating preference share dividend	(391,376)	(1,008,234)
Interest payable on derivatives	(2,977,053)	(3,188,307)
Interest payable on bank loans	(3,560,769)	(6,743,906)
Interest payable on bonds	(37,253,637)	(34,820,700)
Other finance costs	(642,897)	(991,754)
Unwinding of capitalised borrowing costs	(3,455,178)	(1,641,980)
	<u>(75,097,539)</u>	<u>(76,996,302)</u>

7 Administrative expense

Administrative expenses include the following:

	6 months ended	
	30 June 2013	30 June 2012
	£	£
Depreciation	(240,422)	(227,503)
Defined contribution pension costs	(215,551)	(205,591)
Audit fees	(53,393)	(58,036)

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2013

8 Property, plant and equipment

	Other assets £	Rolling stock and other railway assets £	Total £
Cost			
Balance at 1 January 2012	2,278,111	2,214,070,966	2,216,349,077
Additions	123,259	17,640,098	17,763,357
Disposals	-	(4,014,615)	(4,014,615)
Balance at 31 December 2012	2,401,370	2,227,696,449	2,230,097,819
Additions	34,169	8,283,168	8,317,337
Balance at 30 June 2013	2,435,539	2,235,979,617	2,238,415,156
Depreciation			
Balance at 1 January 2012	529,206	161,173,765	161,702,971
Charge for the year	455,443	138,191,199	138,646,642
Disposals	-	(1,358,059)	(1,358,059)
Balance at 31 December 2012	984,649	298,006,905	298,991,554
Charge for the period	240,422	64,435,983	64,676,405
Disposals	-	-	-
Balance at 30 June 2013	1,225,071	362,442,888	363,667,959
Net carrying value			
Carrying value at 30 June 2013	1,210,468	1,873,536,729	1,874,747,197
Carrying value at 31 December 2012	1,416,721	1,929,689,544	1,931,106,265

Rolling stock has been pledged to secure borrowings of the Group. The Company is not permitted to pledge these assets as security for other borrowings and is restricted in its ability to sell them.

9 Trade and other receivables

	30 June 2013 £	31 December 2012 £
Receivables no later than one year:		
Trade receivables	5,146,866	167,742
Other receivables	1,933,504	6,656,423
Maintenance prepayment	14,579,810	16,640,784
	<u>21,660,180</u>	<u>23,464,949</u>
Receivables later than one year:		
Maintenance prepayment	4,764,257	5,627,809

10 Derivative financial instruments

	30 June 2013 £	31 December 2012 £
Current		
Interest rates swaps - liabilities	(15,973)	-
Non-current		
Interest rates swaps - assets	-	741,177
Interest rates swaps - liabilities	(65,052,659)	(97,922,298)

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

During the period ended 30 June 2013, none of the swaps were designated in hedge accounting relationships (31 December 2012: None).

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2013

11 Cash and cash equivalents

Cash and cash equivalents are analysed as:

	30 June 2013	31 December 2012
	£	£
Bank accounts	<u>170,312,960</u>	<u>141,375,503</u>

Within cash and cash equivalents there is a deposit of £26.4 million (year ended 31 December 2012: £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 2012: £0.5 million) is restricted in terms of the agreement with the Law Debenture Trust Corporation plc.

12 Deferred revenue

	30 June 2013	31 December 2012
	£	£
Current asset	<u>522,519</u>	<u>698,793</u>
Non-current liability	<u>106,744,259</u>	<u>90,271,953</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 Company obligations in respect of maintenance contracts in certain leases.

13 Trade and other payables

	30 June 2013	31 December 2012
	£	£
Trade payables	15,480,775	1,443,705
Lease rentals received in advance	19,022,092	15,288,309
Maintenance, acquisition and administrative accruals	4,770,987	7,293,508
Interest accrual	30,586,176	15,188,104
Retirement benefit liability	6,000	6,000
	<u>69,866,030</u>	<u>39,219,626</u>

14 Borrowings

	30 June 2013	31 December 2012
	£	£
No later than one year		
Interest accrued	12,973,558	13,300,856
Capitalised fees	-	(3,073,177)
	<u>12,973,558</u>	<u>10,227,679</u>
Payable later than one year		
Bank loans	278,950,000	341,950,000
Bonds	1,250,000,000	1,250,000,000
Other loan	5,388,274	5,331,472
Capitalised fees	(14,163,412)	(13,738,945)
Profit participating preference shares	25,000,000	25,000,000
Loan from Eversholt Investment Group (Luxembourg) Sarl	369,759,885	369,759,872
	<u>1,914,934,747</u>	<u>1,978,302,399</u>
	<u>1,927,908,305</u>	<u>1,988,530,078</u>

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

for the 6 months ended 30 June 2013

14 Borrowings (continued)

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 December 2016. Interest on these loans is currently charged at one month's GBP Libor plus 1.75% (year ended 31 December 2012: one month's GBP Libor plus 1.75%).

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	2028-2036	5.01%

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 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 with 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. Interest is charged on the loan at 14.06% (period ended 31 December 2012: 14.06%).

15 Deferred tax

	30 June 2013 £	31 December 2012 £
Deferred tax liability	80,188,101	77,697,052

Temporary differences relate principally to accelerated capital allowances and depreciation.

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.

16 Capital commitments

In respect of capital expenditure:

	30 June 2013 £	31 December 2012 £
Authorised and contracted	9,309,000	9,285,000

The capital expenditure is in respect of enhancements to existing rolling stock.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2013

17 Dividends

	6 months ended	
	30 June 2013	30 June 2012
	£	£
Dividend paid	-	40,005,758

18 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 2013.

19 Related party transactions

Loans with Eversholt Investment Group (Luxembourg) Sarl, refer note 14. Interest on these loans is disclosed in note 6.

20 Contingent liabilities

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

21 Subsequent events

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