

**Eversholt Investment Limited
(Security Group)**

**Unaudited, condensed, consolidated
interim financial statements**
for the 6 months ended 30 June 2012

Registered No: IR490363

Unaudited, condensed, consolidated interim financial statement
for the 6 months ended 30 June 2012

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Unaudited

Consolidated income statement
for the 6 months ended 30 June 2012

		6 months ended 30 June 2012 £	6 months ended 30 June 2011 £
Revenue	Notes		
Finance lease income		563,223	569,745
Operating lease income		133,792,603	126,389,252
Maintenance income		36,860,609	37,450,302
Other revenue		807,060	1,486,465
Total income		172,023,495	165,895,764
 Cost of sales	 4	 (102,323,460)	 (108,470,194)
Gross profit		69,700,035	57,425,570
 Finance income	 5	 842,817	 199,598
Finance expenses	6	(76,996,302)	(84,212,416)
Net fair value (loss)/gain on derivatives		(11,835,536)	2,329,494
		(18,288,986)	(24,257,754)
 Administrative expense		 (7,448,700)	 (5,776,870)
Disposal of property, plant and equipment		3,244,012	-
Loss before tax		(22,493,674)	(30,034,624)
Taxation		3,769,415	(1,387,960)
Loss for the period		(18,724,259)	(31,422,584)

There were no discontinued or discontinuing operations during the period.

Condensed, consolidated statement of comprehensive income
for the 6 months ended 30 June 2012

	6 months ended 30 June 2012 £	6 months ended 30 June 2011 £
Loss for the period	(18,724,259)	(31,422,584)
Other comprehensive expense		
Dividends paid	(40,005,758)	-
Total comprehensive expense for the period	(58,730,017)	(31,422,584)

The financial statements were approved by Board of Directors and authorised for issue on 29 August 2012. They were signed on its behalf by:



Chris Cullen
Director
Company registration number: IR 490363




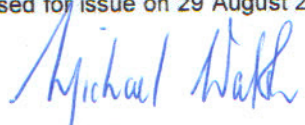
Michael Walsh
Director

Condensed consolidated statement of financial position
as at 30 June 2012

		30 June 2012 £	31 December 2011 £
Assets	Notes		
Non-current assets			
Property, plant and equipment	7	1,995,199,205	2,054,646,106
Finance lease receivables		11,591,316	11,930,900
Maintenance prepayment		745,793	8,276,887
Deferred tax asset	9	23,949	23,829
Investment in subsidiary		2,834,620	2,834,620
		<u>2,010,394,883</u>	<u>2,077,712,342</u>
Current assets			
Inventories		2,136,936	2,252,058
Finance lease receivables		684,318	661,532
Trade and other receivables		40,521,398	24,534,322
Cash and cash equivalents	10	175,865,547	192,053,644
		<u>219,208,199</u>	<u>219,501,556</u>
Total assets		<u>2,229,603,082</u>	<u>2,297,213,898</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	11	47,147,990	49,597,887
Current tax liabilities		6,505,770	6,180,272
Borrowings	12	399,926,488	553,551,761
Derivative financial instruments	8	143,442	554,871
Amounts owed to Eversholt Rail (365) Limited		31,563,052	27,160,024
Provisions		336,281	339,125
		<u>485,623,023</u>	<u>637,383,940</u>
Non-current liabilities			
Borrowings	12	1,661,041,231	1,521,345,111
Deferred tax	9	90,464,203	100,723,207
Deferred revenue		88,794,625	87,598,588
Provisions		-	-
Derivative financial instruments	8	84,879,143	72,632,178
		<u>1,925,179,202</u>	<u>1,782,299,084</u>
Total liabilities		<u>2,410,802,225</u>	<u>2,419,683,024</u>
Equity			
Share capital		12,000	12,000
Share premium account		13,660,000	13,660,000
Accumulated deficit		(194,871,143)	(136,141,126)
Total equity		<u>(181,199,143)</u>	<u>(122,469,126)</u>
Total equity and liabilities		<u>2,229,603,082</u>	<u>2,297,213,898</u>

The financial statements were approved by Board of Directors and authorised for issue on 29 August 2012, they were signed on its behalf by:


Chris Cullen
Director


Michael Walsh
Director

Condensed, consolidated statement of changes in equity
for the 6 months ended 30 June 2012

	Called up share capital £	Share premium £	Accumulated deficit £	Total shareholders' equity £
Balance at 1 January 2011	12,000	13,660,000	(31,030,234)	(17,358,234)
Loss for the period	-	-	(31,422,584)	(31,422,584)
Balance at 30 June 2011	12,000	13,660,000	(62,452,818)	(48,780,818)

	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)

Condensed, consolidated statement of cash flows
for the 6 months ended 30 June 2012

		6 months ended 30 June 2012	6 months ended 30 June 2011
		£	£
Cash flow generated by operating activities	Notes 13	127,159,188	106,297,699
Tax paid		(6,164,215)	(17,305,440)
		<u>120,994,973</u>	<u>(88,992,259)</u>
Investing activities			
Acquisition of property, plant and equipment		(12,429,294)	(78,530,833)
Proceeds from disposal of property, plant and equipment		4,971,000	4,883,000
Net cash utilised in investing activities		<u>(7,458,294)</u>	<u>(73,647,833)</u>
Financing activities			
Loans raised		-	492,901,152
Borrowings repaid		(15,750,000)	(398,400,000)
Interest paid		(77,912,043)	(28,887,359)
Increase in loan from Eversholt Rail (365) Limited		4,403,028	2,902,057
Ordinary dividends paid		(40,005,758)	-
Finance charges paid		(460,003)	-
Net cash (utilised in)/generated by financing activities		<u>(129,724,776)</u>	<u>68,515,850</u>
Net (decrease)/increase in cash and cash equivalents		(16,188,097)	83,860,276
Cash and cash equivalents at beginning of year		192,053,644	86,080,392
Cash and cash equivalents at end of period	10	<u>175,865,547</u>	<u>169,940,668</u>

Notes to the condensed, consolidated interim financial statements

1 General information

Eversholt Investment – Security Group includes all companies in the Eversholt Rail Group, except Eversholt Rail (365) Limited. In February 2012, a new wholly owned subsidiary, European Rail Finance (2) Limited was formed. European Rail Finance Holdings Limited sold its interest in European Rail Finance Limited to this new subsidiary.

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 at 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 values 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 2011. 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 2011.

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 2011.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2012

4 Cost of sales

	6 months ended 30 June 2012 £	6 months ended 30 June 2011 £
Depreciation	(69,921,708)	(75,023,204)
Maintenance cost	(32,401,752)	(33,446,990)
	<u>(102,323,460)</u>	<u>(108,470,194)</u>

5 Finance income

	6 months ended 30 June 2012 £	6 months ended 30 June 2011 £
Bank interest	<u>842,817</u>	<u>199,598</u>

6 Finance expense

	6 months ended 30 June 2012 £	6 months ended 30 June 2011 £
Interest and other expenses		
Interest payable to Eversholt Investment Group (Luxembourg) Sarl	(28,601,421)	(30,174,246)
Profit participating preference share dividend	(1,008,234)	(318,409)
Interest payable on derivatives	(3,188,307)	(4,489,566)
Interest payable on bank loans	(6,743,906)	(7,156,779)
Interest payable on bonds	(34,820,700)	(30,946,625)
Other finance costs	(991,754)	(1,183,498)
Unwinding of capitalised borrowing costs	(1,641,980)	(11,638,458)
Finance charges capitalised	-	1,695,165
	<u>(76,996,302)</u>	<u>(84,212,416)</u>

Borrowing costs included in the cost of qualifying assets during the year arose on the inter-company loans.

7 Property, plant and equipment

	Other assets £	Operating lease assets - assets in the course of construction £	Operating lease assets - rolling stock and other railway assets £	Total £
Cost				
Balance at 1 January 2011	2,052,789	72,894,489	2,047,442,484	2,122,389,762
Transfers	-	(72,894,489)	72,894,489	-
Additions	226,340	-	103,974,813	104,201,153
Disposals	(1,018)	-	(10,240,820)	(10,241,838)
Balance at 31 December 2011	2,278,111	-	2,214,070,966	2,216,349,077
Additions	(11,135)	-	12,440,433	12,429,298
Disposals	-	-	(2,574,422)	(2,574,422)
Balance at 30 June 2012	<u>2,266,976</u>	<u>-</u>	<u>2,223,936,977</u>	<u>2,226,203,953</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2012

7 Property, plant and equipment (continued)

	Other assets	Operating lease assets - rolling stock and other railway assets	Total
	£	£	£
Depreciation			
Balance at 1 January 2011	93,136	11,327,171	11,420,307
Charge for the year	437,088	151,247,060	151,684,148
Disposals	(1,018)	(1,400,466)	(1,401,484)
Balance at 31 December 2011	529,206	161,173,765	161,702,971
Charge for the period	227,503	69,921,708	70,149,211
Disposals	-	(847,434)	(847,434)
Balance at 30 June 2012	756,709	230,248,039	231,004,748
Net carrying value			
Carrying value at 30 June 2012	1,510,267	1,993,688,938	1,995,199,205
Carrying value at 31 December 2011	1,748,905	2,052,897,201	2,054,646,106

Additions to other assets in the current period include a credit note of £29,253 for the work carried out in the prior year.

The estimated useful lives of certain classes of rolling stock have been extended in response to changing market conditions that will result in their utilisation for a longer period. The effect of this change for the 6 months ended 30 June 2012 is to reduce depreciation by £8,893,761. Going forward, the annual depreciation charge has been reduced by £17,787,522 as a result of this change in estimate.

8 Derivative financial instruments

	30 June 2012	31 December 2011
	£	£
Current		
Forward exchange contracts – assets	-	-
Forward exchange contracts – liabilities	143,442	554,871
Non-current		
Forward exchange contracts - liabilities	84,879,143	72,632,178

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.

At 30 June 2012, none of the swaps were designated in hedge accounting relationships (31 December 2011: none).

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2012

9 Deferred tax

	30 June 2012 £	31 December 2011 £
Deferred tax asset	23,949	23,829
Deferred tax liability	(90,464,203)	(100,723,207)

A number of changes were announced to the UK tax rates. The Finance Act 2011 amended the effective rate from 1 April 2011 to 26% and amended the main rate of corporation tax to 25% effective from 1 April 2012. The Finance Act 2012 announced the main rate of corporation tax of 24% effective from 1 April 2012; 23% effective from 1 April 2013 and 22% effective from 1 April 2014.

At the date of this report, the rate of 23% had been substantively enacted and is therefore the rate used to calculate the deferred tax balances at the end of the period.

10 Cash and cash equivalents

Cash and cash equivalents are analysed as:

	30 June 2012 £	31 December 2011 £
Bank accounts	<u>175,865,547</u>	<u>192,053,644</u>

Within cash and cash equivalents there is a deposit of £26.6million (31 December 2010: £26.4 million) which provides security for the Profit Participating Shares issued by one of the group undertakings. £0.5million is restricted in terms of the agreement with the Law Debenture Trust Corporation Plc.

11 Trade and other payables

	30 June 2012 £	31 December 2011 £
Trade payables	16,553,933	5,563,867
Lease rentals received in advance	5,573,581	13,935,162
Maintenance, acquisition and administrative accruals	5,801,127	7,671,892
Interest accrual	<u>19,219,349</u>	<u>22,426,966</u>
	<u>47,147,990</u>	<u>49,597,887</u>

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2012

12 Borrowings

	30 June 2012 £	31 December 2011 £
No later than one year		
Bank loans	-	138,000,000
Interest accrued	13,489,138	13,364,411
Capitalised fees	(3,322,522)	(3,322,522)
Loan from Eversholt Investment Group (Luxembourg) Sarl	389,759,872	405,509,872
	<u>399,926,488</u>	<u>553,551,761</u>
Payable later than one year		
Bank loans	546,950,000	408,950,000
Bonds	1,100,000,000	1,100,000,000
Other loan	5,273,745	5,219,608
Capitalised fees	(16,182,514)	(17,824,497)
Preference shares	25,000,000	25,000,000
	<u>1,661,041,231</u>	<u>1,521,345,111</u>

13 Notes to the cash flow statement

	6 months ended 30 June 2012 £	6 months ended 30 June 2011 £
Loss before tax	(22,493,674)	(30,034,624)
Adjustments for:		
- Depreciation	70,149,211	75,023,204
- fair value adjustment on derivative financial instrument	11,835,536	6,015,802
Profit on disposal of property, plant and equipment	(3,244,012)	(913,479)
Unwinding of capitalised finance charges	1,641,980	11,638,458
Interest on borrowings	75,355,322	72,573,958
Operating cash flows before changes in working capital	133,244,363	134,303,319
(Increase)/decrease in finance lease receivable	316,798	300,404
(Increase)/decrease in inventory	115,123	124,359
(Increase)/decrease in trade and other receivables	(8,455,981)	(15,562,354)
Increase/(decrease) in deferred revenue	1,196,037	7,296,386
Increase/(decrease) in provisions	(2,843)	(68,714)
Increase/(decrease) in trade and other payables	745,691	(20,095,701)
Net cash generated by operating activities	<u>127,159,188</u>	<u>106,297,699</u>

14 Capital commitments

In respect of capital expenditure:

	30 June 2012 £	31 December 2011 £
Authorised and contracted	<u>17,409,000</u>	<u>19,547,300</u>

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 2012

15 Dividends

	6 months ended 30 June 2012 £	6 months ended 30 June 2011 £
Dividend paid	<u>40,005,758</u>	<u>-</u>

16 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 2012.

17 Related-party transactions

Loans with Eversholt Investment Group (Luxembourg) Sarl, refer note 12. Interest on these loans is disclosed in note 6.

18 Contingent liabilities

There were no contingent liabilities for the Group at 30 June 2012.

19 Subsequent events

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