

**Eversholt Investment Limited
(Security Group)**

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

Registered No: IR490363

Condensed, consolidated interim financial statements
for the 6 months ended 30 June 2014

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Condensed, consolidated income statement
for the 6 months ended 30 June 2014

		6 months ended 30 June 2014	30 June 2013
	Notes	£	£
Revenue			
Finance lease income		465,634	494,826
Operating lease income		133,293,022	133,927,804
Maintenance income		32,453,099	29,780,976
Other income		1,629,825	1,085,256
Total income		167,841,580	165,288,862
Cost of sales	4	(90,852,995)	(90,854,921)
Gross profit		76,988,585	74,433,941
Finance income	5	232,339	843,014
Finance expense	6	(72,734,576)	(75,097,539)
Net fair value (loss)/gain on derivatives		(10,888,682)	28,173,662
Administrative expense	7	(8,422,999)	(7,390,068)
Profit on disposal of property, plant and equipment		-	125,000
(Loss)/profit before tax		(14,825,333)	21,088,010
Taxation		(3,133,462)	(7,143,406)
(Loss)/profit for the period		(17,958,795)	13,944,604

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 2014

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

The financial statements were approved by the Board of Directors and authorised for issue on 27 August 2014. They were signed on its behalf by:



C Cullen
Director



M Walsh
Director


Company registration number: IR490363

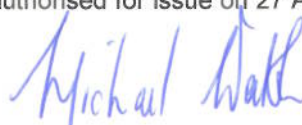
Condensed, consolidated statement of financial position
as at 30 June 2014

		30 June 2014 £	31 December 2013 £
Assets	Notes		
Non-current assets			
Property, plant and equipment	8	1,763,197,719	1,818,366,684
Finance lease receivables		9,656,966	10,061,760
Trade and other receivables	9	8,861,463	8,398,650
Deferred tax	10	13,188,753	12,054,075
Derivative financial instruments	11	-	2,728
Investment in subsidiary		2,834,620	2,834,620
		<u>1,797,739,521</u>	<u>1,851,718,517</u>
Current assets			
Inventory		1,676,444	1,791,567
Finance lease receivables		796,320	779,240
Trade and other receivables	9	5,562,456	8,879,383
Cash and cash equivalents	12	79,665,900	88,218,325
Deferred revenue	13	407,559	567,008
		<u>88,108,679</u>	<u>100,235,523</u>
Total assets		<u>1,885,848,200</u>	<u>1,951,954,040</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	14	40,587,045	27,279,992
Current tax		6,095,552	4,300,849
Borrowings	15	46,109,067	80,247,832
Amounts owed to Eversholt Rail (365) Limited		40,124,223	36,519,717
Provisions		167,124	167,124
		<u>133,083,011</u>	<u>148,515,514</u>
Non-current liabilities			
Borrowings	15	1,707,906,490	1,739,926,937
Deferred tax	10	87,608,756	89,433,612
Deferred revenue	13	107,612,880	117,368,074
Derivative financial instruments	11	69,417,670	58,531,715
Provisions		55,000	55,000
		<u>1,972,600,796</u>	<u>2,005,315,338</u>
Total liabilities		<u>2,105,683,807</u>	<u>2,153,830,852</u>
Equity			
Share capital		12,000	12,000
Share premium account		13,660,000	13,660,000
Accumulated deficit		(233,507,607)	(215,548,812)
Total equity		<u>(219,835,607)</u>	<u>(201,876,812)</u>
Total equity and liabilities		<u>1,885,848,200</u>	<u>1,951,954,040</u>

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

The financial statements were approved by the Board of Directors and authorised for issue on 27 August 2014. They were signed on its behalf by:


C Cullen
Director


M Walsh
Director

Company registration number: IR490363

Condensed, consolidated 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		(14,825,333)	21,088,010
Adjustments for:			
- Depreciation		61,867,152	64,676,405
- Write down in the value of inventory		115,123	115,123
- Fair value adjustment on derivative financial instruments		10,888,682	(28,173,662)
- Loss/(profit) on disposal of property, plant and equipment		1,465	(125,000)
- Unwinding of capitalised finance charges		3,534,671	2,635,872
- Interest on borrowings		68,973,833	71,618,029
Operating cash flow before changes in working capital		130,555,593	131,834,777
Decrease in finance lease receivables		387,714	359,363
Decrease in trade and other receivables		2,292,608	4,386,335
(Decrease)/increase in deferred revenue		(10,557,663)	14,895,677
Increase in trade and other payables		1,058,904	15,248,336
Cash generated by operating activities		123,737,156	166,724,488
Tax paid		(4,298,291)	(11,447,535)
Interest received		1,065,194	654,931
Realised loss on derivative financial instruments		-	(3,938,827)
Net cash generated by operating activities		120,504,059	151,993,057
Investing activities			
Acquisition of property, plant and equipment		(6,699,652)	(8,317,337)
Proceeds from disposal of property, plant and equipment		-	125,000
Net cash utilised in investing activities		(6,699,652)	(8,192,337)
Financing activities			
Loans raised		19,000,000	-
Interest on bank loans		(1,263,605)	(3,488,468)
Interest on bonds		(37,583,250)	(37,612,081)
Interest on Eversholt Investment Group (Luxembourg) Sarl loan		(14,171,325)	-
Profit participating preference dividends		(527,446)	(326,160)
Interest on derivative financial instruments		(3,151,527)	456,197
Finance expenses		(2,684,387)	(806,468)
Other interest		(22,595)	-
Increase in loan from Eversholt Rail (365) Limited		3,875,978	4,871,884
Bank loans repaid		-	(62,999,989)
Shareholder loan repaid		(85,828,675)	(14,958,180)
Net cash utilised in financing activities		(122,356,832)	(114,863,265)
Net (decrease)/increase in cash and cash equivalents		(8,552,425)	28,937,455
Cash and cash equivalents at beginning of the period		88,218,325	141,375,505
Cash and cash equivalents at end of the period	12	79,665,900	170,312,960

Condensed, consolidated statement of changes in equity
for the 6 months ended 30 June 2014

	Called up share capital £	Share premium £	Accumulated deficit £	Total shareholders' equity £
Balance at 1 January 2013	12,000	13,660,000	(218,785,562)	(205,113,562)
Profit for the year	-	-	3,533,400	3,533,400
Actuarial losses on defined benefit scheme after tax	-	-	(296,650)	(296,650)
Balance at 31 December 2013	<u>12,000</u>	<u>13,660,000</u>	<u>(215,548,812)</u>	<u>(201,876,812)</u>

	Called up share capital £	Share premium £	Accumulated deficit £	Total shareholders' equity £
Balance at 1 January 2014	12,000	13,660,000	(215,548,812)	(201,876,812)
Loss for the period	-	-	(17,958,795)	(17,958,795)
Balance at 30 June 2014	<u>12,000</u>	<u>13,660,000</u>	<u>(233,507,607)</u>	<u>(219,835,607)</u>

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

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 Newmount House, 22-24 Mount Street Lower, Dublin 2 (previously Harcourt Centre, Harcourt Road, 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 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 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.

2.3 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 2013.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2014

4 Cost of sales

	6 months ended	
	30 June 2014	30 June 2013
	£	£
Depreciation	61,594,551	64,435,983
Maintenance cost	29,143,321	26,303,815
Write down in the value of inventory	115,123	115,123
	<u>90,852,995</u>	<u>90,854,921</u>

5 Finance income

	6 months ended	
	30 June 2014	30 June 2013
	£	£
Bank interest	<u>232,339</u>	<u>843,014</u>

6 Finance expense

	6 months ended	
	30 June 2014	30 June 2013
	£	£
Interest and other expenses		
Interest payable to Eversholt Investment Group (Luxembourg) Sarl	26,374,584	26,816,629
Profit participating preference share dividend	410,337	391,376
Interest payable on derivatives	3,063,457	2,977,053
Interest payable on bank loans	1,243,736	3,560,769
Interest payable on bonds	37,385,189	37,253,637
Other finance costs	722,602	642,897
Unwinding of capitalised borrowing costs	3,534,671	3,455,178
	<u>72,734,576</u>	<u>75,097,539</u>

7 Administrative expense

Administrative expenses include the following:

	6 months ended	
	30 June 2014	30 June 2013
	£	£
Depreciation	272,601	240,422
Defined contribution pension costs	255,673	215,551
Audit fees	53,393	53,393

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2014

8 Property, plant and equipment

	Other assets £	Rolling stock and other railway assets £	Total £
Cost			
Balance at 1 January 2013	2,391,392	2,227,706,427	2,230,097,819
Additions	332,669	15,972,996	16,305,665
Disposals	-	(74,148)	(74,148)
Balance at 31 December 2013	2,724,061	2,243,605,275	2,246,329,336
Additions	126,194	6,573,458	6,699,652
Disposals	(1,465)	-	(1,465)
Balance at 30 June 2014	2,848,790	2,250,178,733	2,253,027,523
Depreciation			
Balance at 1 January 2013	984,649	298,006,905	298,991,554
Charge for the year	486,468	128,558,778	129,045,246
Disposals	-	(74,148)	(74,148)
Balance at 31 December 2013	1,471,117	426,491,535	427,962,652
Charge for the period	272,601	61,594,551	61,867,152
Balance at 30 June 2014	1,743,718	488,086,086	489,829,804
Net carrying value			
Carrying value at 30 June 2014	1,105,072	1,762,092,647	1,763,197,719
Carrying value at 31 December 2013	1,252,944	1,817,113,740	1,818,366,684

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 and is restricted in its ability to sell them.

9 Trade and other receivables

	30 June 2014 £	31 December 2013 £
Receivables no later than one year:		
Trade receivables	833,366	501,696
Other receivables	594,686	1,412,485
Maintenance prepayment	4,134,404	6,965,202
	<u>5,562,456</u>	<u>8,879,383</u>
Receivables later than one year:		
Maintenance prepayment	8,861,463	8,398,650

10 Deferred tax

Deferred tax assets and liabilities are offset where the Group or Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	30 June 2014 £	31 December 2013 £
Deferred tax asset	13,188,753	12,054,075
Deferred tax liability	(87,608,756)	(89,433,612)
	<u>(74,420,003)</u>	<u>(77,379,537)</u>

Temporary differences relate principally to accelerated capital allowances and depreciation.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2014

10 Deferred tax (continued)

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 for the UK companies has been calculated based on the rates of 20% and 21% substantively enacted at the reporting date.

The deferred tax asset/liability at 30 June 2014 for the Irish companies has been calculated at 12.5% being the rate in force at the reporting date.

11 Derivative financial instruments

	30 June 2014 £	31 December 2013 £
Non-current		
Interest rates swaps - assets	-	2,728
Interest rates swaps - liabilities	(69,417,670)	(58,531,715)

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 2014, none of the swaps were designated in hedge accounting relationships (31 December 2013: None).

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

12 Cash and cash equivalents

Cash and cash equivalents are analysed as:

	30 June 2014 £	31 December 2013 £
Bank accounts	<u>79,665,900</u>	<u>88,218,325</u>

Within cash and cash equivalents there is a deposit of £26.4 million (year ended 31 December 2013: £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 2013: £0.5 million) is restricted in terms of the agreement with the Law Debenture Trust Corporation plc.

13 Deferred revenue

	30 June 2014 £	31 December 2013 £
Current asset	<u>407,559</u>	<u>567,008</u>
Non-current liability	<u>(107,612,880)</u>	<u>(117,368,074)</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.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2014

14 Trade and other payables

	30 June 2014	31 December 2013
	£	£
Trade payables	9,092,858	6,531,167
Other payables	-	1,888,519
Lease rentals received in advance	10,155,472	9,468,302
Accruals	7,998,070	8,360,143
Interest accrual	12,708,538	731,861
Retirement benefit liability	300,000	300,000
VAT	332,107	-
	40,587,045	27,279,992

15 Borrowings

	30 June 2014	31 December 2013
	£	£
No later than one year		
Interest accrued	12,927,673	13,124,201
Capitalised fees	(1,818,606)	(1,905,441)
Bank loans	35,000,000	16,000,000
Eversholt Investment Group (Luxembourg) Sarl	-	53,029,072
	46,109,067	80,247,832
Later than one year		
Bank loans	100,000,000	100,000,000
Bonds	1,250,000,000	1,250,000,000
Other loan	5,462,672	5,446,965
Profit participating preference shares	25,000,000	25,000,000
Capitalised fees	(9,516,451)	(10,279,900)
Eversholt Investment Group (Luxembourg) Sarl	336,960,269	369,759,872
	1,707,906,490	1,739,926,937
	1,754,015,557	1,820,174,769

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 2013: GBP Libor plus a margin).

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.

Notes to the condensed, consolidated interim financial statements (continued)
for the 6 months ended 30 June 2014

15 Borrowings (continued)

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.

16 Capital commitments

In respect of capital expenditure:

	30 June 2014 £	31 December 2013 £
Authorised and contracted	<u>26,031,000</u>	<u>14,980,000</u>

17 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 2014.

18 Related party transactions

Loans with Eversholt Investment Group (Luxembourg) Sarl, refer note 15. Interest on these loans is disclosed in note 6.

19 Contingent liabilities

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

20 Subsequent events

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