



## Investor Report for the period from 1 January to 30 June 2015

To: Security Trustee, Eversholt Funding plc (Finco), Bond Trustee and each Rating Agency

From: Security Group Agent

27 August 2015

### **General Overview**

This overview deals with key announcements and developments since the issue of the previous Investor Report and is issued by Eversholt Rail (UK) Limited on behalf of the Security Group of Eversholt Investment Limited.

### **Rolling Stock Strategy Steering Group**

In February, the Rolling Stock Strategy Steering Group chaired by Mr. Richard Brown published the third annual update of its passenger rolling stock strategy for the next 30 years which calls for the national fleet to be expanded by between 52% and 99% to meet growing demand. The strategy predicts that between 13,000 and 19,000 new electric coaches will be needed between now and 2045.

### **Secretary of State**

The Secretary of State announced in March plans for a 'Northern Powerhouse', a deal that redresses the imbalance in transport spending to provide Northern towns and cities significant journey and connectivity improvements including an 'HS3' high-speed route.

### **Franchising**

The key announcements and events for this period are:

- In March, Department for Transport (DfT) announced the successful conclusion of negotiations for a new directly awarded franchise agreement with First Group. First Group will continue to run the Great Western Franchise until April 2019, with an option to extend by up to 12 months at DfT's discretion.
- DfT also launched the TransPennine Express (TPE), Northern and East Anglia (EA) refranchising competitions. TPE and Northern bids were due to be submitted during Q2 2015 and are being assessed by DfT. Eversholt Rail is currently in discussion with EA bidders and the DfT. We are also engaged with the incumbent Train Operating Company in respect of a potential directly-awarded extension of the East Midlands franchise.

## **Business Update**

### **Investment in new Rolling Stock**

On 29 July 2015, the Eversholt Rail signed a contract with First Great Western to procure and finance 173 new AT300 vehicles worth £361 million. The fleet will comprise 22 five-car and 7 nine-car trains, and is scheduled to enter service by December 2018.

### **Lease Extensions**

In April, Eversholt Rail signed 10-year leases with Abellio ScotRail to keep our Class 318, Class 320, Class 334, and 7x3 car Class 321s on lease until 31 March 2025 (with a 7 year break option effective on 31 March 2022). The Class 380 fleet is also on lease for the duration of the next franchise.

Eversholt Rail also successfully signed new leases with MTR (Crossrail) and London Overground to ensure that the entire Class 315 fleet is on lease until December 2018, with a further 2 year extension with MTR (Crossrail) for 20 of the 61 units. In addition a lease extension was signed with Govia and a new lease with First Great Western guaranteeing the entire Class 365 fleet is on lease until 2019.

### **Asset Disposals**

On 27 February 2015, Eversholt Rail sold its entire wagon portfolio (920 wagons and 63 load units) to Nacco (UK) Ltd. In addition, 22 MKII vehicles were sold in March to Serco.

### **Debt management**

Eversholt Rail's bonds are rated by Fitch and S&P and the ratings remain unchanged at 30 June 2015 at A- and BBB respectively. Eversholt Rail expects to maintain credit metrics commensurate with these ratings in 2015.

### **Financing**

In June, Eversholt Rail unwound a portion of its interest rate swaps to ensure on going compliance with its hedging policy.

### **Supplier Contracts**

Currently, Eversholt Rail has substantial rolling stock maintenance contracts in place with most of the key suppliers, including; Wabtec, Bombardier, Alstom, Hitachi, and Siemens.

### **Fleet Utilisation**

100% of passenger fleet was on lease during the period.

## **Historic Business Developments**

On 16 April 2015, Eversholt Rail was 100% acquired by CK Investments S.A.R.L, a company jointly owned by Cheung Kong Infrastructure Holdings Limited and Cheung Kong (Holdings) Limited.

Following the acquisition there were a number of changes to the directorships of European Rail Finance (GB) Ltd. The following changes all occurred on 16 April:

#### **Appointments**

Loi Shun Chan  
Andrew John Hunter  
Hing Lam Kam  
Duncan Nicholas Macrae  
Wai Che Wendy

#### **Resignations**

Paul Gough  
Roy Mani  
James Wilmott  
John Watt  
Neil King  
Phil White  
Matthew Barker

All the other company directorships remain as per the previous period.

#### **Historic Regulatory Developments**

No member of the Group is regulated.

#### **Historic Capital Expenditure**

The Group continued to invest in enhancing its existing fleet. The total capital investment for the Obligor Group in the period across all assets was £13m.

#### **Historic Financing**

In the period the business made a total of £35m of repayments on its £500m revolving credit facility, leaving the full £500m undrawn as at 30 June 2015.

Senior debt outstanding (excluding accrued interest) as at 30 June 2015 is now as follows:

<u>Current Facilities</u>	<u>£m</u>
Facility A 5 year term loan	100
Facility B 5+1 year revolving credit facility	-
Bond A 10 years	300
Bond B 15 years	400
Bond C 24 years (amortising)	400
Bond D 24 years (amortising)	<u>150</u>
Total	<u>1,350</u>

**Confirmation of Accuracy**

We confirm that to the best of our knowledge, having made due and careful enquiry, this Investor Report is accurate in all material respects.

No personal liability shall attach to or be incurred by any director of the Security Group Agent in respect of the giving of this Investor Report.



Director  
Eversholt Rail (UK) Ltd  
Security Group Agent



Director  
Eversholt Rail (UK) Ltd  
Security Group Agent