

## Investor Report

To: Security Trustee, Finco, Bond Trustee and each Rating Agency

From: Security Group Agent

### **General Overview**

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

### **Additional Rolling Stock**

The Secretary of State made an announcement on 16 June 2011 that 1200 new rail carriages will be added to the Thameslink route, with the first carriage arriving in 2015 and completion of the project in December 2018 / January 2019. Financial closure of this contract is expected in H1 2012.

On 1 March 2011, the Secretary of State for Transport announced that the government would proceed with procurement of new intercity high speed trains from Agility Trains, involving 500 new carriages to operate on the Great Western Main Line and East Coast Main Line. Financial closure of the contract is also expected in H1 2012.

On 28<sup>th</sup> December 2011 it was announced that Southern had placed an order with Bombardier for 130 new Electrostar vehicles (26 Class 377/6 five-car units), to be delivered in 2013. The new fleet of trains will operate on Southern's metro routes out of Victoria station.

### **Rail Value for Money Review**

The McNulty report was published on 19 March 2011, identifying the potential for savings of up to £1bn without cutting services. The report encourages a 'partnering' approach to be developed between the DfT and the ROSCOs in respect of existing rolling stock. A Rail Delivery Group (RDG) has been established to develop an industry wide strategy for achieving the goals recommended by McNulty, and the Eversholt Group is encouraging these developments and is working with RDG.

### **Franchising**

The government has continued to consult on its approach to passenger franchising. On 19 January 2011, the Secretary of State for Transport published reform plans, including a preference for longer franchises, around 15 years. The first such franchise will be for the

Inter City West Coast to be let from the start of 2013, and is likely to be followed by Great Western in Q2 2013, East Coast Q4 2013 and Greater Anglia in Q3 2014.

### **Electrification**

The government announced on 1 March 2011 plans to extend electrification of the Great Western Main Line to Bristol and Cardiff. In the autumn statement the Government further announced the electrification of the Manchester to Leeds line with probable extension to York. The Industry Initial Plan, the industry wish list for CP5 (control period 5 – 2014 to 2019) included the electrification of Midland Mainline and Gospel Oak- Barking in East London. The Government will now decide what it can afford and publish its statement of funds available (SOFA) in 2012.

Currently the Welsh Assembly Government is finalising its business case for the electrification of the Valley lines into Cardiff and will present to the DfT for a decision in Q1 2012.

### **High Speed Two**

Following a public consultation process, which was undertaken during 2011, on 10 January 2012 the Transport Secretary confirmed the Government's commitment to an expanded high speed network, with confirmation of the intention to develop the second high speed line (HS2). The announcements confirmed (with minor amendments) the route from London to Birmingham originally proposed in the December 2010 announcement. Details of the routes from Birmingham to Leeds and Manchester will be announced in due course. The first train is not expected to be in service until 2026.

### **The Usage Statistics**

The most recent figures published by the Office of Rail Regulation show that franchised passenger kilometres travelled in the 3 months to September 2011 totalled 14.2bn, an increase of 4.4% on the same period a year earlier, continuing the upward trend. Freight lifted increased by 14.3% for the 3 month period to September 2011 and totalled 25.3 million tonnes. Freight lifted is the mass of goods carried on the network, measured in tonnes, but taking no account of the distance travelled.

### **Historic business developments**

Since the date of the last report there has been a change to the board of directors of Eversholt Investment Group S.a.r.l., the holding company of Eversholt Investment Limited with Laura Carballo replacing Anthony G Mallin in August 2011. There have been no changes in the directors or senior management of other Group companies since the last

report. Since the date of the last report there has been no significant change to the structure or the financing of the Eversholt Investment Limited.

### **Historical regulatory developments**

No member of the group is regulated.

### **Historical capital expenditure**

The group has not entered into any contracts for new rolling stock but continues to invest in enhancing its existing fleet during the course of the Relevant Period. During 2011 the group successfully completed the delivery of the Class 380 fleet. The total capital investment for the Obligor group in the period across all assets was £107m, including £75m for payments on delivery of the final Class 380 unit.

### **Historical Financing**

Senior debt outstanding as at 31<sup>st</sup> December 2011 were as follows (excluding accrued interest

- |                                |       |
|--------------------------------|-------|
| • Facility A 4 year facility   | £nil  |
| • Facility B 6 year facility   | £409m |
| • Facility C Capex facility    | £138m |
| • Facility D Working Cap       | £nil  |
| • Bond A 10 years              | £300m |
| • Bond B 15 years              | £400m |
| • Bond C 24 years (amortising) | £400m |

In addition the group had received a loan of £432.7m from its immediate shareholder Eversholt Investment Group (Luxembourg) S.a.r.l. in December 2010. £27.2m of this loan was repaid during 2011, leaving a balance of £405.5m at 31<sup>st</sup> December 2011.

### **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.



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Director  
Eversholt Rail (UK) Ltd  
Security Group Agent



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