



## Investor Report

for the period from 1 July 2023 to 31 December 2023 (“the Period”)

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

From: Eversholt Rail Limited (as Security Group Agent)

5 March 2024

This Investor Report details the key announcements and developments since the issue of the previous Investor Report and is issued by Eversholt Rail Limited on behalf of the Security Group of Eversholt UK Rails (Holding) Limited (“the Group”).

### **General Overview**

#### **Great British Railways Transition Team and Whole Industry Strategic Plan**

Since the last update, the Government’s plans to establish Great British Railways (“GBR”) have been delayed partly due to a lack of available parliamentary time.

On 20 February 2024 the draft Rail Reform Bill was published for consultation so that “parliamentarians and experts across the industry could review and test the legislation in draft”.

We continue to engage with industry stakeholders to monitor the emerging plans for the creation of GBR and the implementation of the Williams-Shapps Plan for Rail so that we can understand any impact for the Group, anticipate and respond to changes in the most appropriate way.

#### **National Rail Contracts (“NRCs”)**

The Department for Transport (“DfT”) has agreed a series of National Rail Contracts (“NRCs”) with Train Operating Companies (“TOC”s) including those owned by the Government’s Operator of Last Resort (“OLR”) to replace emergency measures agreements or emergency recovery measures agreements implemented during the Pandemic.

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## **Historic Business Developments**

### **Business review**

During the Period, the Group focused on delivering heavy maintenance programmes, upgrades to existing fleets and completing fleet and final acceptance milestones of its recent new build rolling stock programme.

### **Heavy maintenance**

The Group provides services in relation to the procurement and management of heavy maintenance of rolling stock on behalf of its customers in relation to certain fleets.

During the Period the Group managed contracts delivering heavy maintenance projects on six of its fleets, including mileage-based overhauls on four fleets: Class 318, Class 320; Class 320/4; and Class 334. We have undertaken two time-based overhaul projects on the Class 318 and Class 465 fleets. We have agreed an interim mileage-based overhaul for the Class 334 fleet with procurement and mobilisation underway and production to commence in early 2024. The Group spent £11.1m during the Period on maintenance related activity.

### **Investment in existing fleets**

The Group undertakes strategic upgrades to rolling stock to ensure that its fleets continue to meet regulatory requirements and the current and future demands of customers. Several upgrade projects were progressed during the Period including interior refresh and energy monitoring modifications agreed as part of leases for Class 375 and Class 395 fleets as well as completing modification programmes previously agreed on the Class 185 and Class 222 fleets.

Our support work was completed in the Period for Transport for Wales in modifying their Mark 4 fleet for integration with their Class 67 locomotives.

Total expenditure on modification and refurbishment projects totalled £2.4m during the Period.

The Group continues to explore how our self-powered rolling stock fleets can be adapted to support decarbonisation and the delivery of low and/or zero-emissions railway operations. Workstreams have focussed on understanding the fleet environmental performance and the potential technical solutions as well as customer requirements and emerging government policy.

The Group has investigated three retrofittable propulsion technologies to achieve low or zero-emissions train operation: hydrogen fuel cells, batteries, and diesel-battery hybrid power packs. All these technologies enable zero-emissions operations in stations and in built-up areas.

### **New rolling stock**

Expenditure on new rolling stock during the Period was £3.7m. This relates to fleet and final acceptance payments in respect of rolling stock already in service.

### **Acquisition of new and existing UK rolling stock assets**

The Group continues to identify and, where appropriate, tender for new trains opportunities to acquire new trains and interests in existing fleets in the UK.

During the Period the Group has not acquired any new rolling stock assets.

Feasibility, concept and safety validation work on the Hydrogen Aventura product with Alstom is now complete. While there is no current procurement activity from TOCs looking for hydrogen solutions, these are being considered by Great British Rail Transition Team. The Group is continuing work with operators on the feasibility of deploying hydrogen powered vehicles on non-electrified routes.

The Group, in partnership with Transport Design International (“TDI”), is continuing to develop the Revolution Very Light Rail (RVLR) vehicle. RVLR has been designed primarily to improve railway connectivity where installing and operating traditional heavy rail solutions is uneconomic e.g. branch lines and line extensions. RVLR demonstrations to stakeholders at a private test site in Ironbridge, Shropshire, have continued to provide positive feedback as well as raising awareness of the product’s capabilities. Towards the end of 2023 a contract for the build of three pre-production vehicles was signed. The Group is working with a number of TOCs and regional transport bodies to develop trial opportunities.

### **New leases and lease extensions**

During the Period, the Group concluded the following new leases or extensions:

- In December 2023 28 C66 locomotives with Freightliner were re-leased in 4 batches for periods of between 3 and just over 4 years;

### **Fleet**

The average age of the Group’s fleet is 20 years. Ages of individual fleets vary from older vehicles, introduced into service in 1986 (Class 318), to the newest fleets introduced into passenger service during 2018, 2019 and 2020 (Class 802, Class 397, Class 331 and Class 195). The weighted average age by income in the Period is 16 years.

### **Eversholt Rail (365) Limited**

Since the June 2023 report, the position regarding Eversholt Rail (365) Limited is unchanged. We continue to work with the liquidator, PWC, to conclude the liquidation.

### **Corporate Structure and Directorships**

There were no statutory directorship changes in the Period.

In December 2023 the Group undertook a simplification of its corporate structure.

The principal features were as follows:

- A new company, Eversholt UK Rails Group Limited (“EUKRGL”), was incorporated on 12 December 2023 and subsequently acquired 100% of the share capital of Eversholt UK Rails Limited
- UK Rails S.A.R.L. entered voluntary liquidation on 15 December 2023, its net assets being distributed to its shareholders, none of which will have a controlling interest. As a result, EUKRGL succeeded UK Rails S.A.R.L. as the ultimate parent and controlling party of all subsidiaries within the Group.
- Eversholt UK Rails (Holding) Limited issued one ordinary share with a nominal value of £1 at a premium of £340,562,000 in full satisfaction of its outstanding loan from Eversholt UK Rails Limited of £340,562,000. In accordance with Section 641 Companies Act 2006, the Company then converted its share premium into retained earnings.

On 16 January 2024, European Rail Finance Holdings Limited was dissolved without going into liquidation by way of ‘merger by absorption’ with Eversholt Investment Limited (under Irish law) and Eversholt Finance Holdings Limited will be voluntarily liquidated (under UK law) later in 2024. Both companies are subsidiary undertakings of EUKRGL.

### **Historic Regulatory Developments**

No member of the Group is regulated.

### **Historic Capital Expenditure**

The total capital investment on existing and new fleets during the Period was £6.1m.

### **Historic Financing**

The Group issued no new debt during the six-month period, however, the option to extend by one year the maturity of the revolving credit facility to November 2028 was exercised. The Group has one further extension option.

In August 2023, a scheduled loan repayment of £14.3m was made in respect of the 24-year amortising bond maturing in February 2035.

In December 2023, a scheduled loan repayment of £12.8m was made in respect of the 20-year amortising bond maturing in June 2040.

As at 31 December 2023, the £450m revolving credit facility was undrawn and the Group had unrestricted cash at bank of £332.4m.

The contractual amounts of senior debt outstanding (excluding accrued interest) was:

<u>Current Facilities</u>	<u>£m</u>
Bond 15 years (2025)	271.3
Bond 24 years (amortising 2023-2035)	328.6
Private Placement (amortising 2029-2036)	100.0
Private Placement (2030)	90.0
Private Placement (amortising 2029-2036)	50.0
Private Placement (2026-2031)	100.0
Private Placement (2037)	100.0
Bond 25 years (amortising 2034-2042)	400.0
Bond 20 years (amortising 2023-2040)	<u>423.1</u>
Total	<u>1,863.0</u>

### **Credit Ratings**

The Group is committed to maintaining its investment grade credit ratings. Moody's Investor Services in November 2023 affirmed their rating for the Group and its debt issued under the Group's MTN programme at Baa2 with a Stable Outlook. Fitch Ratings in October 2023 affirmed their rating for the Group at BBB and the bonds issued under its MTN programme at BBB with Stable Outlooks.

### **Audited financial statements**

The Group has published on the Investors area of the Eversholt Rail website the audited financial statements for the year ended 31 December 2023 for Eversholt UK Rails (Holding) Limited (Security Group) and Eversholt Rail Leasing Limited.

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 Limited  
Security Group Agent



Director  
Eversholt Rail Limited  
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