

# **European Rail Finance Limited**

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

**Registered No: IR443563**

**Condensed interim financial statements**

for the 6 months ended 30 June 2014

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Unaudited

**Condensed income statement**  
for the 6 months ended 30 June 2014

		6 months ended	
		30 June 2014	30 June 2013
		£	£
<b>Revenue</b>			
Operating lease income	4	112,796,583	113,325,318
Other income		797,742	-
<b>Total income</b>		<b>113,594,325</b>	<b>113,325,318</b>
Cost of sales	5	(54,961,244)	(57,136,785)
<b>Gross profit</b>		<b>58,633,081</b>	<b>56,188,533</b>
Finance income	6	190	2,639,514
Finance expense	7	(35,651,660)	(36,744,444)
Administrative expenses	8	(5,382,704)	(4,689,156)
<b>Profit before tax</b>		<b>17,598,907</b>	<b>17,394,447</b>
Taxation		(2,071,714)	(2,231,563)
<b>Profit for the period</b>		<b>15,527,193</b>	<b>15,162,884</b>

There were no discontinued or discontinuing operations during the period.

The notes on pages 6 to 9 form an integral part of these financial statements.

**Condensed statement of comprehensive income**  
for the 6 months ended 30 June 2014

There has been no comprehensive income or expense other than the profit 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: IR443563

**Condensed statement of financial position**  
as at 30 June 2014

		30 June 2014 £	31 December 2013 £
	<b>Notes</b>		
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	1,242,105,478	1,284,337,992
<b>Current assets</b>			
Trade and other receivables	10	46,736	577,596
Loan receivable	11	-	145,760,890
		<u>46,736</u>	<u>146,338,486</u>
<b>Total assets</b>		<u>1,242,152,214</u>	<u>1,430,676,478</u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	12	11,833,137	2,601,241
Deferred revenue	13	3,327,591	8,975,613
Borrowings	14	-	13,313,750
		<u>15,160,728</u>	<u>24,890,604</u>
<b>Non-current liabilities</b>			
Borrowings	14	1,088,680,923	1,036,131,277
Deferred tax	15	26,023,696	23,951,982
Deferred revenue	13	41,685,916	40,628,857
		<u>1,156,390,535</u>	<u>1,100,712,116</u>
<b>Total liabilities</b>		<u>1,171,551,263</u>	<u>1,125,602,720</u>
<b>Equity</b>			
Share capital		50,000,001	50,000,001
Capital contribution		-	100,000,000
Retained earnings		20,600,950	155,073,757
<b>Total equity</b>		<u>70,600,951</u>	<u>305,073,758</u>
<b>Total equity and liabilities</b>		<u>1,242,152,214</u>	<u>1,430,676,478</u>

The notes on pages 6 to 9 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: IR443563

# European Rail Finance Limited

## Condensed statement of cash flows

for the 6 months ended 30 June 2014

	6 months ended	
	30 June 2014	30 June 2013
	£	£
<b>Profit before tax</b>	<b>17,598,907</b>	<b>17,394,447</b>
Adjustments for:		
Depreciation charge	48,158,064	50,309,376
Finance income	(190)	(2,639,514)
Finance expense	35,651,660	36,744,444
<b>Operating cash flow before changes in working capital</b>	<b>101,408,441</b>	<b>101,808,753</b>
Decrease/(increase) in trade and other receivables	530,860	(500,091)
Increase in trade and other payables	9,231,896	4,398,087
(Decrease)/increase in deferred revenue	(4,590,963)	13,354,879
<b>Net cash generated by operating activities</b>	<b>106,580,234</b>	<b>119,061,628</b>
<b>Investing activities</b>		
Acquisition of property, plant and equipment	(5,925,550)	(3,000,644)
<b>Net cash utilised in investing activities</b>	<b>(5,925,550)</b>	<b>(3,000,644)</b>
<b>Financing activities</b>		
Loans raised	1,088,680,923	-
Movement in working capital loan account	145,760,890	(9,181,353)
Loan repaid	(1,049,445,027)	(52,422,893)
Finance expenses paid	(35,651,660)	(36,744,444)
Finance income received	190	2,639,514
Dividends paid	(250,000,000)	(15,000,000)
<b>Net cash utilised in financing activities</b>	<b>(100,654,684)</b>	<b>(110,709,176)</b>
<b>Net increase in cash and cash equivalents</b>	<b>-</b>	<b>5,351,808</b>
Cash and cash equivalents at beginning of the period	-	52,402
<b>Cash and cash equivalents at end of the period</b>	<b>-</b>	<b>5,404,210</b>

**Condensed statement of changes in equity**

as at 30 June 2014

	Called up share capital £	Capital contribution £	Retained earnings £	Total shareholders' equity £
<b>Balance at 1 January 2013</b>	50,000,001	100,000,000	158,296,936	308,296,937
Profit for the year	-	-	28,776,821	28,776,821
Dividend paid	-	-	(32,000,000)	(32,000,000)
<b>Balance at 31 December 2013</b>	<u>50,000,001</u>	<u>100,000,000</u>	<u>155,073,757</u>	<u>305,073,758</u>

	Called up share capital £	Capital contribution £	Retained earnings £	Total shareholders' equity £
<b>Balance at 1 January 2014</b>	50,000,001	100,000,000	155,073,757	305,073,758
Profit for the period	-	-	15,527,193	15,527,193
Transfer	-	(100,000,000)	100,000,000	-
Dividend paid	-	-	(250,000,000)	(250,000,000)
<b>Balance at 30 June 2014</b>	<u>50,000,001</u>	<u>-</u>	<u>20,600,950</u>	<u>70,600,951</u>

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

**1 General information**

European Rail Finance Limited (the "Company") is a company incorporated in the Republic of Ireland under the Companies Act. The registered office of the Company is Newmount House, 22-24 Mount Street Lower, Dublin 2 (previously Harcourt Centre, Harcourt Road, Dublin 2).

**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 Company operates and is the functional currency of the Company.

**2.1 Compliance with International Financial Reporting Standards**

The financial statements of European Rail Finance Limited have been prepared on the historical cost basis.

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.

**2.2 Going concern**

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company 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 interim financial report are the same as those applied by the Company in its financial statements for the year ended 31 December 2013.

**4 Operating lease income**

	6 months ended	
	30 June 2014	30 June 2013
	£	£
Rentals receivable from third parties	62,986,858	60,499,544
Rentals receivable from European Rail Finance (GB) Limited	49,809,725	52,825,774
	<u>112,796,583</u>	<u>113,325,318</u>

**5 Cost of sales**

	6 months ended	
	30 June 2014	30 June 2013
	£	£
Depreciation	48,158,064	50,309,376
Maintenance cost	6,803,180	6,827,409
	<u>54,961,244</u>	<u>57,136,785</u>

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

**6 Finance income**

	6 months ended	
	30 June 2014	30 June 2013
	£	£
Interest receivable from Eversholt Rail (UK) Limited	-	2,639,514
Other interest	190	-
	<u>190</u>	<u>2,639,514</u>

**7 Finance expense**

	6 months ended	
	30 June 2014	30 June 2013
	£	£
Interest payable to Eversholt Funding plc	5,113,915	34,281,729
Interest payable to Eversholt Rail (UK) Limited	27,992,423	-
Finance charges payable to Eversholt Funding plc	1,945,114	1,925,183
Other interest	600,208	537,532
	<u>35,651,660</u>	<u>36,744,444</u>

**8 Administrative expense**

Administrative expenses include the following:

	6 months ended	
	30 June 2014	30 June 2013
	£	£
Management fee payable to Eversholt Rail (UK) Limited	5,338,572	4,670,000
Audit fees	8,214	8,214

The Company has no employees and hence no staff costs (6 months ended 30 June 2013: nil).

**9 Property, plant and equipment**

	Rolling stock and other railway assets £
<b>Cost</b>	
Balance at 1 January 2013	1,925,312,437
Additions	8,011,525
Disposals	(74,148)
Balance at 31 December 2013	1,933,249,814
Additions	5,925,550
Balance at 30 June 2014	<u>1,939,175,364</u>
<b>Depreciation</b>	
Balance at 1 January 2013	549,216,107
Charge for the year	99,769,863
Disposal depreciation	(74,148)
Balance at 31 December 2013	648,911,822
Charge for the period	48,158,064
Balance at 30 June 2014	<u>697,069,886</u>
<b>Carrying value at 30 June 2014</b>	<u>1,242,105,478</u>
Carrying value at 31 December 2013	<u>1,284,337,992</u>

Rolling stock has been pledged to secure borrowings of the Group. The Company is not permitted to pledge these assets as security for other borrowings and is restricted in its ability to sell them.



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

**10 Trade and other receivables**

	30 June 2014 £	31 December 2013 £
<b>Receivables no later than one year:</b>		
Trade receivables	<u>46,736</u>	<u>577,596</u>

**11 Loan receivable**

	30 June 2014 £	31 December 2013 £
Eversholt Rail (UK) Limited	<u>-</u>	<u>145,760,890</u>

The loan to Eversholt Rail (UK) Limited was unsecured and repayable on demand. Interest is charged at margin over GBP Libor (year ended 31 December 2013: margin over GBP Libor).

**12 Trade and other payables**

	30 June 2014 £	31 December 2013 £
Trade payables	23,260	105,600
Other payables	5,934	-
Lease rentals received in advance	5,156,047	2,257,665
Accruals	1,309,324	237,976
Intercompany	5,338,572	-
	<u>11,833,137</u>	<u>2,601,241</u>

**13 Deferred revenue**

	30 June 2014 £	31 December 2013 £
<b>Current</b>	<u>18,931,645</u>	<u>8,975,613</u>
<b>Non-current</b>	<u>26,081,862</u>	<u>40,628,859</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 Company obligations in respect of maintenance contracts in certain leases.

**14 Borrowings**

	Current £	Non-current £	Total £
<b>30 June 2014</b>			
Eversholt Rail (UK) Limited	-	<u>1,088,680,923</u>	<u>1,088,680,923</u>
<b>31 December 2013</b>			
Eversholt Funding plc	<u>13,313,750</u>	<u>1,036,131,277</u>	<u>1,049,445,027</u>

As a result of the Group's refinancing in November 2013, the terms of intragroup funding arrangements were revised to more closely align with the terms of the Group's external financing. The intragroup loans are classified as non-current as they are repayable on 4 November 2018. Borrowing entities may prepay and redraw loans until the repayment date (31 December 2013: the loans were unsecured and repayable on demand).

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

**15 Deferred tax**

	30 June 2014	31 December 2013
	£	£
Balance at beginning of the period/year	23,951,982	19,840,992
Income statement charge	2,071,714	4,110,990
<b>Balance at end of the period/year</b>	<b>26,023,696</b>	<b>23,951,982</b>

Temporary differences relate principally to accelerated capital allowances and depreciation.

Deferred tax has been calculated at 12.5% being the rate in force at 30 June 2014 (6 months ended 30 June 2013: 12.5%).

**16 Capital commitments**

In respect of capital expenditure:

	30 June 2014	31 December 2013
	£	£
Authorised and contracted	17,520,000	12,187,000

**17 Related party transactions**

The Company has entered into the following transactions with related parties during the period:

The Company has loans with related parties, more fully described in notes 11 and 14. Interest on the loans is more fully described in notes 6 and 7.

The Company has operating lease income with related parties, more fully described in note 4.

A management fee of £5,338,572 is payable to Eversholt Rail (UK) Limited for the period. (6 months ended 30 June 2013: £4,670,000). A management fee of £30,000 is payable to Eversholt Investment Limited (30 June 2013: nil).

Cost of sales includes a payment of £6,129,627 paid to Eversholt Rail (UK) Limited in respect of the procurement of maintenance services. (6 months ended 30 June 2013: £4,266,318).

For the period ended 30 June 2014 a total dividend of £250,000,000 (consisting of £100,000,000 capital contribution and £125,000,000 distributable reserves) was paid to European Rail Finance (2) Limited (6 months ended 30 June 2013: £15,000,000). The total dividend of £250,000,000 consists of three dividend payments, £235,000,000, £12,000,000 and £3,000,000 paid 30 January 2014, 31 March 2014 and 27 June 2014 respectively.

**18 Contingent liabilities**

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

**19 Subsequent events**

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