

# **European Rail Finance (GB) Limited**

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

**Registered No: 2720809**

**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

		<b>6 months ended</b>	
	<b>Notes</b>	<b>30 June 2014</b>	<b>30 June 2013</b>
		<b>£</b>	<b>£</b>
<b>Revenue</b>			
Operating lease income		90,452,156	92,365,074
Finance lease income		-	252
Service charge income		58,000	-
<b>Total income</b>		<b>90,510,156</b>	<b>92,365,326</b>
Cost of sales	4	(78,183,234)	(79,756,002)
<b>Gross Profit</b>		<b>12,326,922</b>	<b>12,609,324</b>
Finance income	5	-	128,575
Finance expense	6	(2,015,454)	(1,794,085)
Administrative expense	7	(1,074,687)	(1,326,910)
Profit on disposal of property, plant and equipment		-	125,000
<b>Profit before tax</b>		<b>9,236,781</b>	<b>9,741,904</b>
Taxation		(1,946,259)	(2,313,518)
<b>Profit for the period</b>		<b>7,290,522</b>	<b>7,428,386</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).

**Condensed statement of financial position**

as at 30 June 2014

	Notes	30 June 2014 £	31 December 2013 £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	217,792,035	222,385,896
Trade and other receivables	9	11,226,803	9,886,673
Investments in subsidiaries		34,348,449	34,348,449
		<u>263,367,287</u>	<u>266,621,018</u>
<b>Current assets</b>			
Trade and other receivables	9	2,611,780	1,530,366
		<u>2,611,780</u>	<u>1,530,366</u>
<b>Total assets</b>		<u>265,979,067</u>	<u>268,151,384</u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	10	13,998,127	14,808,290
Current tax		6,069,563	6,689,238
Borrowings	11	-	20,062,219
Deferred revenue	12	7,538,316	8,195,121
		<u>27,606,006</u>	<u>49,754,868</u>
<b>Non-current liabilities</b>			
Borrowings	11	83,744,892	56,176,098
Deferred tax	13	26,931,134	31,054,438
Deferred revenue	12	40,947,698	44,707,165
Provisions		55,000	55,000
		<u>151,678,724</u>	<u>131,992,701</u>
<b>Total liabilities</b>		<u>179,284,730</u>	<u>181,747,569</u>
<b>Equity</b>			
Share capital		50,000,002	50,000,002
Retained earnings		36,694,335	36,403,813
<b>Total equity</b>		<u>86,694,337</u>	<u>86,403,815</u>
<b>Total equity and liabilities</b>		<u>265,979,067</u>	<u>268,151,384</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 26 August 2014. They were signed on its behalf by:



**M B Kenny**  
Director

Company registration number 2720809

# **Condensed statement of cash flows**

for the 6 months ended 30 June 2014

	<b>6 months ended</b>	
	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>£</b>	<b>£</b>
<b>Profit before tax</b>	<b>9,236,781</b>	<b>9,741,904</b>
Adjustments for:		
- Depreciation charge	<b>5,241,769</b>	5,048,135
- Profit on disposal of property, plant and equipment	-	(125,000)
- Finance expense	<b>2,015,454</b>	1,794,085
- Finance income	-	(128,575)
<b>Operating cash flow before changes in working capital</b>	<b>16,494,004</b>	<b>16,330,549</b>
Decrease in finance lease receivables	-	588
Increase in trade and other receivables	<b>(2,421,544)</b>	(4,981,316)
(Decrease)/increase in deferred revenue	<b>(4,416,272)</b>	4,760,953
(Decrease)/increase in trade and other payables	<b>(810,163)</b>	9,199,239
<b>Cash generated by operating activities</b>	<b>8,846,025</b>	<b>25,310,013</b>
Tax paid	<b>(6,689,238)</b>	(136,953)
<b>Net cash generated by operating activities</b>	<b>2,156,787</b>	<b>25,173,060</b>
<b>Investing activities</b>		
Acquisition of property, plant and equipment	<b>(647,908)</b>	(5,282,524)
Proceeds from disposal of property, plant and equipment	-	125,000
<b>Net cash utilised in investing activities</b>	<b>(647,908)</b>	<b>(5,157,524)</b>
<b>Financing activities</b>		
Loans repaid	<b>(51,270,543)</b>	(2,131,803)
Dividend paid	<b>(7,000,000)</b>	(7,500,000)
Finance expenses paid	<b>(2,015,454)</b>	(1,794,085)
Finance income received	-	128,575
Other interest	<b>15,707</b>	56,803
Movement in working capital loan account	<b>58,761,411</b>	(8,775,026)
<b>Net cash generated by/(utilised in) financing activities</b>	<b>(1,508,879)</b>	<b>(20,015,536)</b>
<b>Net movement in cash and cash equivalents</b>	-	-
Cash and cash equivalents at beginning of the period	-	-
<b>Cash and cash equivalents at end of the period</b>	-	-



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

	Called Up share capital £	Retained earnings £	Total shareholders' equity £
<b>Balance at 1 January 2013</b>	50,000,002	34,427,159	84,427,161
Profit for the year	-	19,976,654	19,976,654
Dividend paid	-	(18,000,000)	(18,000,000)
<b>Balance at 31 December 2013</b>	<u>50,000,002</u>	<u>36,403,813</u>	<u>86,403,815</u>

	Share capital £	Retained earnings £	Total shareholders' equity £
<b>Balance at 1 January 2014</b>	50,000,002	36,403,813	86,403,815
Profit for the period	-	7,290,522	7,290,522
Dividend paid	-	(7,000,000)	(7,000,000)
<b>Balance at 30 June 2014</b>	<u>50,000,002</u>	<u>36,694,335</u>	<u>86,694,337</u>

## Notes to the condensed interim financial statements

for the 6 months ended 30 June 2014

### 1 General information

European Rail Finance (GB) Limited (the "Company") is a company incorporated and domiciled in England and Wales under the Companies Act. The registered office of the Company is 210 Pentonville Road, London, N1 9JY.

### 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.

#### 2.1 Compliance with International Financial Reporting Standards

The financial statements of European Rail Finance (GB) 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 Cost of sales

	6 months ended	
	30 June 2014	30 June 2013
	£	£
Operating lease rental	49,809,725	52,825,774
Depreciation	5,241,769	5,048,135
Maintenance cost	23,131,740	21,882,093
	<u>78,183,234</u>	<u>79,756,002</u>

### 5 Finance income

	6 months ended	
	30 June 2014	30 June 2013
	£	£
Interest receivable from Eversholt Rail (UK) Limited	-	128,575

**Notes to the condensed interim financial statements (continued)**

for the 6 months ended 30 June 2014

**6 Finance expense**

	6 months ended	
	30 June 2014	30 June 2013
	£	£
Interest payable to Eversholt Funding plc	-	1,607,629
Interest payable to Eversholt Rail (UK) Limited	1,913,760	106,273
Finance charges payable to Eversholt Funding plc	79,099	80,183
Other interest	22,595	-
	<u>2,015,454</u>	<u>1,794,085</u>

**7 Administrative expense**

Administrative expenses include the following:

	6 months ended	
	30 June 2014	30 June 2013
	£	£
Management fees	904,718	1,225,000
Audit fees	7,804	7,804

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

**8 Property, plant and equipment**

	Rolling stock and other railway assets £
<b>Cost</b>	
Balance at 1 January 2013	280,832,727
Additions	7,961,473
Balance at 31 December 2013	288,794,200
Additions	647,908
Balance at 30 June 2014	<u>289,442,108</u>
<b>Depreciation</b>	
Balance at 1 January 2013	56,228,189
Charge for the year	10,180,115
Balance at 31 December 2013	66,408,304
Charge for the period	5,241,769
Balance at 30 June 2014	<u>71,650,073</u>
<b>Carrying value at 30 June 2014</b>	<u>217,792,035</u>
Carrying value at 31 December 2013	<u>222,385,896</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

**9 Trade and other receivables**

	30 June 2014 £	31 December 2013 £
<b>Receivables no later than one year:</b>		
Trade receivables	2,558,780	1,530,366
Prepayments	53,000	-
	<u>2,611,780</u>	<u>1,530,366</u>
<b>Receivables later than one year:</b>		
Maintenance prepayment	<u>11,226,803</u>	<u>9,886,673</u>

**10 Trade and other payables**

	30 June 2014 £	31 December 2013 £
Trade payables	4,822,017	4,786,238
Lease rentals received in advance	5,423,029	5,841,317
Accruals	910,167	1,457,947
VAT	2,842,914	2,722,788
	<u>13,998,127</u>	<u>14,808,290</u>

**11 Borrowings**

	Current £	Non-current £	Total £
<b>30 June 2014</b>			
Eversholt Rail (UK) Limited	-	78,282,220	78,282,220
Bank loan	-	5,462,672	5,462,672
	-	<u>83,744,892</u>	<u>83,744,892</u>
<b>31 December 2013</b>			
Eversholt Funding plc	541,410	50,729,133	51,270,543
Eversholt Rail (UK) Limited	19,520,809	-	19,520,809
Bank loan	-	5,446,965	5,446,965
	<u>20,062,219</u>	<u>56,176,098</u>	<u>76,238,317</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).

**12 Deferred revenue**

	30 June 2014 £	31 December 2013 £
<b>Current</b>	<u>7,538,316</u>	<u>8,195,121</u>
<b>Non-current</b>	<u>40,947,698</u>	<u>44,707,165</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's obligations in respect of maintenance contracts in certain leases.

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

**13 Deferred tax**

	30 June 2014	31 December 2013
	£	£
Balance at beginning of the year	31,054,438	43,919,512
Income statement credit	(4,123,304)	(12,865,074)
<b>Balance at end of the period/year</b>	<b>26,931,134</b>	<b>31,054,438</b>

Temporary differences relate principally to accelerated capital allowances and depreciation.

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 at 30 June 2014 has been calculated based on the rates of 20% and 21% substantively enacted at the reporting date.

**14 Capital commitments**

In respect of capital expenditure:

	30 June 2014	31 December 2013
	£	£
Authorised and contracted	2,337,000	2,459,000

**15 Related-party transactions**

The Company has loans with related parties, more fully described in note 11. Interest on the loans is more fully described in note 5 and 6.

A management fee of £899,718 is payable to Eversholt Rail (UK) Limited for the period. (6 months ended 30 June 2013: £1,225,000). The Company has payable management fees to Eversholt Investment Limited of £5,000 (6 months ended 30 June 2013: nil)

The Company leases assets from European Rail Finance Limited. The operating lease expense of £49,809,725 (6 months ended 30 June 2013: £52,825,774) is included in cost of sales.

The Company has paid Eversholt Rail (UK) Limited £23,124,348 for the procurement of maintenance of the rolling stock (6 months ended 30 June 2013: £21,881,459).

Included in trade and other receivables is a prepayment to Eversholt Rail (UK) Limited of £53,000 (year ended 31 December 2013: nil).

For the period ended 30 June 2014 a dividend of £7,000,000 was paid to European Rail Finance Holdings Limited (6 months ended 30 June 2013: £7,500,000).

**16 Contingent liabilities**

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

**17 Subsequent events**

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