

Eversholt Rail (UK) Limited

Unaudited, condensed interim financial statements
for the 6 months ended 30 June 2017

Registered No: 06953114

Eversholt Rail (UK) Limited

Condensed interim financial statements

for the 6 months ended 30 June 2017

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Eversholt Rail (UK) Limited

Condensed income statement

for the 6 months ended 30 June 2017

	Notes	6 months ended	
		30 June 2017 £'000	30 June 2016 £'000
Revenue			
Maintenance income		26,660	35,521
Service charge income		9,117	9,997
Other income		672	542
Total income		36,449	46,060
Maintenance expense		(20,771)	(27,878)
Gross profit		15,678	18,182
Finance income	4	53,113	49,963
Finance expense	5	(49,941)	(42,722)
Profit on fair value adjustment of derivative financial instrument		-	55
Administrative expense	6	(9,089)	(9,756)
Profit before tax		9,761	15,722
Income tax charge		(1,904)	(3,118)
Profit for the period		7,857	12,604

There were no discontinued or discontinuing operations during the period.

The notes on pages 6 to 11 form an integral part of these financial statements.

Condensed statement of comprehensive income

for the 6 months ended 30 June 2017

	6 months ended	
	30 June 2017 £'000	30 June 2016 £'000
Profit for the period	7,857	12,604
Other comprehensive expense		
Realised loss on cash flow hedges	114	-
Effective portion of changes in fair value of cash flow hedges	136	-
Income tax on other comprehensive income	(43)	-
Total comprehensive income for the period	8,064	12,604

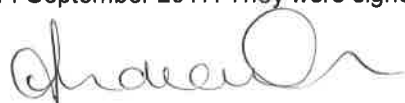
Condensed statement of financial position

as at 30 June 2017

	Notes	30 June 2017 £'000	31 December 2016 £'000
Assets			
Non-current assets			
Property, plant and equipment	7	755	855
Deferred tax	8	1,747	1,686
Loans receivable	9	2,171,098	2,153,172
		<u>2,173,600</u>	<u>2,155,713</u>
Current assets			
Inventory		1,045	1,149
Trade and other receivables	11	29,905	30,089
Cash and cash equivalents		81,041	23,117
Loans receivable	9	52,243	52,243
Derivative financial instrument	10	61	-
Current tax – amounts due from group relief		374	-
		<u>164,669</u>	<u>106,598</u>
Total assets		<u>2,338,269</u>	<u>2,262,311</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	12	19,155	16,498
Current tax – amounts due to group relief		-	3,442
Borrowings	13	15,237	64,999
Provisions		35	35
Derivative financial instruments	10	-	153
		<u>34,427</u>	<u>85,127</u>
Non-current liabilities			
Borrowings	13	2,128,035	2,021,625
Deferred revenue	14	24,140	11,956
Retirement benefit obligation	15	5,968	5,968
		<u>2,158,143</u>	<u>2,039,549</u>
Total liabilities		<u>2,192,570</u>	<u>2,124,676</u>
Equity			
Share capital		100,000	100,000
Hedging reserve		80	(127)
Retained earnings		45,619	37,762
Total equity		<u>145,699</u>	<u>137,635</u>
Total equity and liabilities		<u>2,338,269</u>	<u>2,262,311</u>

The notes on pages 6 to 11 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 14 September 2017. They were signed on its behalf by:



A J Wesson
Director

Company registration number: 06953114

Eversholt Rail (UK) Limited

Condensed statement of cash flows

for the 6 months ended 30 June 2017

	6 months ended	
	30 June 2017	30 June 2016
	£'000	£'000
Cash flows from operating activities		
Profit before tax	9,761	15,722
Adjustments for:		
- Depreciation	141	130
- Write down in the value of inventory	103	103
- Profit on fair value of derivative financial instruments	-	(55)
- Finance income	(53,113)	(49,963)
- Finance expense	49,941	42,722
Operating cash flow before changes in working capital	<u>6,833</u>	<u>8,659</u>
Decrease/(increase) in trade and other receivables	184	(1,797)
Increase/(decrease) in trade and other payables	2,657	(1,374)
Increase in deferred revenue	12,184	3,886
Decrease in provisions	-	(1,040)
Cash generated by operating activities	<u>21,858</u>	<u>8,334</u>
Tax paid	(5,823)	-
Net cash generated by operating activities	<u>16,035</u>	<u>8,334</u>
Investing activities		
Acquisition of property, plant and equipment	(41)	(214)
Net cash utilised in investing activities	<u>(41)</u>	<u>(214)</u>
Financing activities		
Finance income received	53,113	49,963
Finance expense paid	(49,941)	(42,722)
Movement in working capital loan accounts	(37,625)	(129,425)
Term loan raised from Eversholt Funding plc	50,000	80,000
Intercompany interest accrued	239	(57)
Loan repaid by European Rail Finance (GB) Limited	26,109	-
Realised loss on derivatives less settlements	35	-
Net cash generated by/(utilised in) financing activities	<u>41,930</u>	<u>(42,241)</u>
Net increase/(decrease) in cash and cash equivalents	<u>57,924</u>	<u>(34,121)</u>
Cash and cash equivalents at beginning of the period	<u>23,117</u>	<u>45,339</u>
Cash and cash equivalents at end of the period	<u>81,041</u>	<u>11,218</u>

Eversholt Rail (UK) Limited

Condensed statement of changes in equity

for the 6 months ended 30 June 2017

	Called up Share capital £'000	Hedging Reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance at 1 January 2016	100,000	-	13,897	113,897
Profit for the year	-	-	26,343	26,343
Actuarial loss on defined benefit scheme before tax	-	-	(2,988)	(2,988)
Effective portion of changes in fair value of cash flow	-	(153)	-	(153)
Income tax on other comprehensive income	-	26	510	536
Balance at 31 December 2016	100,000	(127)	37,762	137,635

	Share capital £'000	Hedging Reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance at 1 January 2017	100,000	(127)	37,762	137,635
Profit for the period	-	-	7,857	7,857
Effective portion of changes in fair value of cash flow hedges	-	136	-	136
Realised loss on cash flow hedges	-	114	-	114
Income tax on other comprehensive income	-	(43)	-	(43)
Balance at 30 June 2017	100,000	80	45,619	145,699

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2017

1 General information

Eversholt Rail (UK) Limited (the "Company") is a company incorporated and domiciled in England and Wales. The registered office of the Company is 210 Pentonville Road, London, N1 9JY.

2 Basis of preparation

These financial statements are presented in £'000. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.1 Compliance with International Financial Reporting Standards

The financial statements of Eversholt Rail (UK) 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 2016. 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 2016.

2.2 Going concern

The Company's forecasts and projections taking account of reasonably possible changes in trading performance show that the Company has adequate resources to continue in the operational existence for the foreseeable future. Accordingly the Directors continue to adopt the going concern basis in preparing 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 2016.

4 Finance income

	6 months ended	
	30 June 2017	30 June 2016
	£'000	£'000
Bank interest	81	56
Other interest	-	14
Interest on working capital loans	19,761	32,680
Interest on European Rail Finance (GB) Limited term loan	33,271	17,213
	<u>53,113</u>	<u>49,963</u>

5 Finance expense

	6 months ended	
	30 June 2017	30 June 2016
	£'000	£'000
Finance charge payable to Eversholt Funding plc	<u>(49,941)</u>	<u>(42,722)</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2017

6 Administrative expense

Administrative expenses include the following:

	6 months ended	
	30 June 2017	30 June 2016
	£'000	£'000
Depreciation	(141)	(130)
Audit fees	(38)	(16)
Write down in value of inventory	(103)	(103)

7 Property, plant and equipment

	Fixtures and fittings £'000	Equipment £'000	Total £'000
Cost			
Balance at 1 January 2016	1,252	1,927	3,179
Additions	2	225	227
Balance at 31 December 2016	<u>1,254</u>	<u>2,152</u>	<u>3,406</u>
Additions	-	41	41
Balance at 30 June 2017	<u>1,254</u>	<u>2,193</u>	<u>3,447</u>
Depreciation			
Balance at 1 January 2016	1,194	1,096	2,290
Charge for the year	23	238	261
Balance at 31 December 2016	<u>1,217</u>	<u>1,334</u>	<u>2,551</u>
Charge for the period	10	131	141
Balance at 30 June 2017	<u>1,227</u>	<u>1,465</u>	<u>2,692</u>
Net carrying value			
Carrying value at 30 June 2017	<u>27</u>	<u>728</u>	<u>755</u>
Carrying value at 31 December 2016	<u>37</u>	<u>818</u>	<u>855</u>

8 Deferred tax

	30 June 2017 £'000	31 December 2016 £'000
Non-current asset		
Balance at beginning of the period/year	1,686	1,333
Amount arising from temporary differences	118	(126)
Change in tax rates	(14)	(57)
Other comprehensive income:		
Actuarial movement on retirement benefit obligations	-	510
Hedging reserve movement	(43)	26
Balance at end of the period/year	<u>1,747</u>	<u>1,686</u>

The corporation tax rate reduction to 19% from 1 April 2017 was substantively enacted on 18 November 2015. A further reduction to 17% from 1 April 2020 was substantively enacted on 15 September 2016. As a result of these reductions the Company's future current tax charge will reduce accordingly.

The deferred tax asset at 30 June 2017 has been calculated based on rates of 17% (31 December 2016: 17%) substantively enacted at the reporting date.

Eversholt Rail (UK) Limited

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2017

9 Loans receivable

	30 June 2017 £'000	31 December 2016 £'000
Current		
Term lending to European Rail finance (GB) Limited	<u>52,243</u>	<u>52,243</u>
Non-current		
European Rail Finance Holdings Limited	2,479	1,938
Eversholt Finance Holdings (UK) Limited	15	14
European Rail Finance (2) Limited	49,550	48,049
Eversholt Rail Holdings (UK) Limited	1,938	114,479
Eversholt Funding plc	34,214	33,943
Eversholt Investment Limited	88,109	63,485
Eversholt Depot Finance (UK) Limited	12,167	13,693
European Rail Finance (GB) Limited	489,241	384,153
Term lending to European Rail finance (GB) Limited	1,467,309	1,493,418
Eversholt Rail (UK) Limited Dublin Office	423	-
Eversholt UK Rails (Holdings) Limited	25,653	-
	<u>2,171,098</u>	<u>2,153,172</u>

The term loan with European Rail Finance (GB) Limited enabled the European Rail Finance (GB) Limited to settle in full, its rental obligations under the finance lease with European Rail Finance Limited. The loan is repayable on or before 1 April 2036 with capital and interest payable on a monthly basis. Interest is charged at LIBOR plus margin.

The intragroup working capital loans provided by Eversholt Rail (UK) Limited are classified as non-current as they are repayable on or before 4 November 2018. Borrowing entities may prepay and redraw loans until the repayment date. Interest on the loans is payable monthly at a floating rate, which substantially matches the rate of the Group's senior debt, plus margin (2016: Group's senior debt plus margin).

10 Derivative financial instruments

The fair values together with the carrying amounts of the derivative financial instruments are as follows:

	Carrying amount 30 June 2017 £'000	Fair value 30 June 2017 £'000	Carrying amount 31 December 2016 £'000	Fair value 31 December 2016 £'000
Current assets				
FX forwards – hedge accounted	<u>61</u>	<u>61</u>	-	-
Current liabilities				
FX forward contract – hedge accounted	-	-	(153)	(153)
Total Derivative financial instruments	<u>61</u>	<u>61</u>	<u>(153)</u>	<u>(153)</u>

The fair value of derivative financial instruments is based on market rates on 30 June 2017.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2017

10 Derivative financial instruments (continued)

During the year ended 31 December 2016 the Group entered into foreign exchange forward contracts to hedge the variability in functional currency equivalent cash flows associated with committed EUR denominated capital expenditure. On inception the contracts entered into during the year were designated in hedge accounting relationships.

Counterparty	Notional amount 30 June 2017 £'000	Maturity date	Fair value 30 June 2017 £'000	Other	Ineffective	Realised
				comprehensive income 30 June 2017 £'000	profit 30 June 2017 £'000	gain/(loss) 30 June 2017 £'000
Relationship bank	4,103	25 October 2017	61	136	-	(114)
			<u>61</u>	<u>136</u>	<u>-</u>	<u>(114)</u>

Counterparty	Notional amount 31 December 2016 £'000	Maturity date	Fair value 31 December 2016 £'000	Other	Ineffective	Realised
				comprehensive Income/(loss) 31 December 2016 £'000	profit/(loss) 31 December 2016 £'000	gain/(loss) 31 December 2016 £'000
Relationship bank	13,600	25 October 2017	(153)	(153)	-	-
			<u>(153)</u>	<u>(153)</u>	<u>-</u>	<u>-</u>

In determining the fair value of derivative financial instruments, the Directors have taken into account the contractual cash flows attached to the instrument and independently sourced forward exchange rates for the reporting date.

11 Trade and other receivables

	30 June 2017 £'000	31 December 2016 £'000
Trade receivables	488	111
Other receivables	12	12
VAT	1,323	2,125
Overheads prepayment	807	747
Maintenance prepayment	27,275	27,094
	<u>29,905</u>	<u>30,089</u>

12 Trade and other payables

	30 June 2017 £'000	31 December 2016 £'000
Trade payables	6,398	5,156
Other payables	779	880
Maintenance and administrative accruals	11,978	10,462
	<u>19,155</u>	<u>16,498</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2017

13 Borrowings

	Current 30 June 2017 £'000	Non - current 30 June 2017 £'000	Current 31 December 2016 £'000	Non - current 31 December 2016 £'000
Eversholt Funding plc	-	1,540,000	50,000	1,440,000
Eversholt Rail (365) Limited	-	29,026	-	22,848
Intercompany accrued interest	15,237	-	14,999	-
European Rail Finance Limited	-	559,009	-	558,777
	<u>15,237</u>	<u>2,128,035</u>	<u>64,999</u>	<u>2,021,625</u>

The loan with Eversholt Funding plc mirrors the terms of that company's external debt.

The loan with Eversholt Rail (365) Limited is unsecured and is repayable on 4 November 2018. The loan is interest free.

The intragroup working capital loan with European Rail Finance Limited is classified as non-current as it is repayable on 4 November 2018. Borrowing entities may prepay and redraw loans until the repayment date. Interest on the loan is payable monthly at a floating rate, which substantially matches the rate of the Group's senior debt, plus margin.

14 Deferred revenue

Rentals received in relation to future maintenance costs are deferred and released when these costs are incurred.

	30 June 2017 £'000	31 December 2016 £'000
Arising in respect of maintenance contracts	<u>24,140</u>	<u>11,956</u>

15 Retirement benefit obligations

15.1 Reconciliation of Net Defined Benefit liability

	30 June 2017 £'000	31 December 2016 £'000
Opening Net Defined Benefit Liability	5,968	2,763
Employer's share of pension expense	-	420
Employer contributions	-	(203)
Total loss recognised in statement of comprehensive income	-	2,988
Closing Net Defined Benefit Liability	<u>5,968</u>	<u>5,968</u>

16 Related party transactions

The Company has received fees for the provision of maintenance, procurement and management services to other group companies as follows:

	6 months ended	
	30 June 2017 £'000	30 June 2016 £'000
European Rail Finance (GB) Limited	8,676	9,402
European Rail Finance Limited	-	50
Eversholt Rail (365) Limited	371	468
Eversholt Depot Finance (UK) Limited	70	77