

Eversholt Rail Limited

**Unaudited, condensed interim financial statements
for the 6 months ended 30 June 2018**

Registered No: 06953114

Condensed interim financial statements

for the 6 months ended 30 June 2018

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Unaudited

Condensed income statement
for the 6 months ended 30 June 2018

	Note	6 months ended	
		30 June 2018 £'000	30 June 2017 £'000
Revenue			
Maintenance income		25,063	26,660
Service charge income		9,170	9,117
Other income		1,216	672
Total revenue		35,449	36,449
Maintenance cost		(19,202)	(20,771)
Gross profit		16,247	15,678
Finance income	4	57,758	53,113
Finance expense	5	(57,566)	(49,941)
Administrative expense	6	(10,468)	(9,089)
Profit before tax		5,971	9,761
Income tax charge		(1,153)	(1,904)
Profit for the period		4,818	7,857

There were no discontinued or discontinuing operations during the period.

The notes on pages 6 to 10 form an integral part of these financial statements.

Condensed statement of comprehensive income
for the 6 months ended 30 June 2018

	Note	6 months ended	
		30 June 2018 £'000	30 June 2017 £'000
Profit for the period		4,818	7,857
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges		-	250
Tax charge on changes in effective portion of changes in fair value of cash flow hedges		-	(43)
		-	207
Total comprehensive income for the period		4,818	8,064

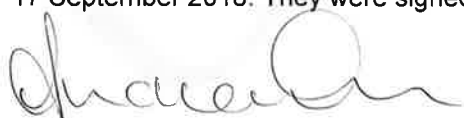
Condensed statement of financial position

as at 30 June 2018

	<i>Note</i>	30 June 2018 £'000	31 December 2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	7	642	782
Deferred tax	8	1,382	1,377
Amounts owed by group undertakings	9	<u>2,287,677</u>	<u>2,299,570</u>
		<u>2,289,701</u>	<u>2,301,729</u>
Current assets			
Inventory		839	942
Trade and other receivables	11	22,757	31,516
Amounts owed by group undertakings	9	55,790	54,588
Cash and cash deposits	12	<u>361,771</u>	<u>336,368</u>
		<u>441,157</u>	<u>423,414</u>
Total assets		<u>2,730,858</u>	<u>2,725,143</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	13	17,465	26,034
Current tax		16,842	11,838
Borrowings	14	20,774	21,151
Provisions		35	35
		<u>55,116</u>	<u>59,058</u>
Non-current liabilities			
Retirement benefit obligation		3,874	3,874
Borrowings	14	2,515,355	2,512,759
Deferred revenue	15	<u>26,633</u>	<u>24,390</u>
		<u>2,545,862</u>	<u>2,541,023</u>
Total liabilities		<u>2,600,978</u>	<u>2,600,081</u>
Equity			
Share capital		100,000	100,000
Retained earnings		<u>29,880</u>	<u>25,062</u>
Total equity		<u>129,880</u>	<u>125,062</u>
Total equity and liabilities		<u>2,730,858</u>	<u>2,725,143</u>

The notes on pages 6 to 10 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 17 September 2018. They were signed on its behalf by:



A J Wesson
Director

Company registration number: 06953114

Condensed statement of cash flows

for the 6 months ended 30 June 2018

	6 months ended	
Note	30 June 2018	30 June 2017
	£'000	£'000
Cash flows from operating activities		
Profit before tax	5,971	9,761
Adjustments for:		
- Depreciation	161	141
- Write down in the value of inventory	103	103
- Finance income	(57,758)	(53,113)
- Finance expense	57,566	49,941
Operating cash flow before changes in working capital	6,043	6,833
Decrease in trade and other receivables	8,759	184
(Decrease)/increase in trade and other payables	(8,569)	2,657
Increase in deferred revenue	2,243	12,184
Cash generated by operating activities	8,476	21,858
Receipt in respect of group tax relief/(paid)	3,846	(5,823)
Net cash generated by operating activities	12,322	16,035
Cash flow from investing activities		
Acquisition of property, plant and equipment	(21)	(41)
Net cash utilised in investing activities	(21)	(41)
Cash flow from financing activities		
Movement in working capital loan accounts	(13,972)	(37,625)
Movement in loan from Eversholt Funding plc	-	50,000
Movement in term lending to Eversholt Rail Leasing Limited	27,259	26,109
Intercompany accrued interest	(377)	274
Finance income received	57,758	53,113
Finance expense paid	(57,566)	(49,941)
Net cash generated by financing activities	13,102	41,930
Net increase in cash and cash equivalents	25,403	57,924
Cash and cash equivalents at beginning of the period	12 86,368	23,117
Cash and cash equivalents at end of the period	111,771	81,041

Condensed statement of changes in equity
for the 6 months ended 30 June 2018

	Note	Share capital £'000	Hedging Reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017		100,000	(127)	37,761	137,634
Profit for the year		-	-	5,266	5,266
Actuarial gain on defined benefit scheme		-	-	2,452	2,452
Effective portion of changes in fair value of cash flow hedges	10	-	153	-	153
Income tax charge on other comprehensive income	8	-	(26)	(417)	(443)
Total comprehensive income		-	127	7,301	7,428
Dividends paid		-	-	(20,000)	(20,000)
Balance at 31 December 2017		100,000	-	25,062	125,062
Profit for the period		-	-	4,818	4,818
Total comprehensive income		-	-	4,818	4,818
Balance at 30 June 2018		100,000	-	29,880	129,880

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2018

1 General information

Eversholt Rail Limited (the "Company") is a private company incorporated and domiciled in England and Wales under the Companies Act and is limited by ordinary shares. The registered office of the Company is 210 Pentonville Road, London, N1 9JY, United Kingdom.

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 Limited have been prepared on the historical cost basis, except for the revaluation of derivative financial statements.

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 2017. The condensed interim financial statements do 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 2017.

2.2 Going concern

The Company's forecasts and projections taking account of reasonably possible changes in trading performance show that the Company, having the commitment of support from the parent, has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis 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 2017.

4 Finance income

	6 months ended	
	30 June 2018	30 June 2017
	£'000	£'000
Bank interest	1,069	81
Interest receivable on working capital loan accounts	24,569	19,761
Interest receivable on term loan to Eversholt Rail Leasing Limited	32,120	33,271
	<u>57,758</u>	<u>53,113</u>

5 Finance expense

	6 months ended	
	30 June 2018	30 June 2017
	£'000	£'000
Interest expense payable to Eversholt Funding plc	(56,740)	(49,023)
Fees payable	(826)	(918)
	<u>(57,566)</u>	<u>(49,941)</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2018

6 Administrative expense

Administrative expenses include the following:

	6 months ended	
	30 June 2018	30 June 2017
	£'000	£'000
Depreciation – Premises and IT	(161)	(141)
Fees payable to the Company's auditor for Company's annual financial statements	(82)	(38)
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 2017	1,254	2,152	3,406
Additions	-	175	175
Acquisitions from group undertakings	53	14	67
Balance at 31 December 2017	1,307	2,341	3,648
Additions	-	21	21
Balance at 30 June 2018	1,307	2,362	3,669
Depreciation			
Balance at 1 January 2017	1,217	1,334	2,551
Charge for the year	42	273	315
Balance at 31 December 2017	1,259	1,607	2,866
Charge for the period	14	147	161
Balance at 30 June 2018	1,273	1,754	3,027
Net carrying value			
Carrying value at 30 June 2018	34	608	642
Carrying value at 31 December 2017	48	734	782

8 Deferred tax

	30 June 2018 £'000	31 December 2017 £'000
Non-current asset		
Balance at beginning of the period/year	1,377	1,686
Amount arising from temporary differences	6	152
Change in tax rates	(1)	(18)
Other comprehensive income:		
Actuarial movement on retirement benefit obligations	-	(417)
Hedging reserve movement	-	(26)
Balance at end of the period/year	1,382	1,377

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.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2018

8 Deferred tax (continued)

The deferred tax at 30 June 2018 has been calculated based on the rate of 17% enacted at the reporting date (31 December 2017: 17%). The effect of the change in the rate to 17% is included in the financial statements.

9 Amounts owed by group undertakings

	30 June 2018 £'000	31 December 2017 £'000
Current		
Term lending to Eversholt Rail Leasing Limited	<u>55,790</u>	<u>54,588</u>
Non-current		
European Rail Finance Holdings Limited	2,477	2,400
Eversholt Finance Holdings Limited	20	18
European Rail Finance (2) Limited	67,640	51,003
Eversholt Rail Holdings (UK) Limited	-	-
Eversholt Funding plc	32,633	30,159
Eversholt Investment Limited	44,014	57,222
Eversholt Depot Finance Limited	9,678	10,717
Eversholt Rail Leasing Limited	718,567	706,978
Eversholt UK Rails (Holdings) Limited	2,279	2,243
Term lending to Eversholt Rail Leasing Limited	<u>1,410,369</u>	<u>1,438,830</u>
	<u>2,287,677</u>	<u>2,299,570</u>

The term loan with Eversholt Rail Leasing Limited enabled that company to settle in full its rental obligations under a 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 a fixed rate plus margin.

The intragroup working capital loan of £1 with Eversholt Rail Holdings (UK) Limited is repayable on or before 4 November 2022. The loan is interest free.

The intragroup working capital loans with other entities are classified as non-current as they are repayable on or before 4 November 2022. 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 Eversholt UK Rails Group's ("Group") senior debt, plus margin (2016: Group's senior debt, plus margin).

10 Derivative financial instruments

In 2016 the Group entered into foreign exchange forward contracts to hedge the variability in functional currency equivalent cash flows associated with committed Euro denominated capital expenditure. On inception contracts were designated in hedge accounting relationships. These contracts matured in 2017.

Movement in fair value of Derivative financial instruments	30 June 2018 £'000	31 December 2017 £'000
Balance at 1 January	-	(153)
Unrealised gain through Other comprehensive income	-	153
Balance at 30 June/31 December	<u>-</u>	<u>-</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2018

11 Trade and other receivables

	30 June 2018 £'000	31 December 2017 £'000
Trade receivables	1,837	728
Other receivables	297	12
VAT	1,259	-
Overheads prepayment	907	683
Maintenance prepayment	18,457	30,093
	<u>22,757</u>	<u>31,516</u>

12 Cash and cash deposits

Cash and cash deposits are analysed as:

	30 June 2018 £'000	31 December 2017 £'000
Cash	31,771	6,368
Cash demand deposits	80,000	80,000
Cash and cash equivalents	<u>111,771</u>	<u>86,368</u>
Short-term bank deposits	250,000	250,000
Cash and cash deposits	<u>361,771</u>	<u>336,368</u>

Short-term bank deposits have maturity of between three and twelve months.

13 Trade and other payables

	30 June 2018 £'000	31 December 2017 £'000
Trade payables	5,425	4,477
Other payables	580	7,463
Maintenance and administrative accruals	11,460	14,084
Amounts payable to Eversholt UK Rails Limited	-	10
	<u>17,465</u>	<u>26,034</u>

14 Borrowings

	Current 30 June 2018 £'000	Non - current 30 June 2018 £'000	Current 31 December 2017 £'000	Non - current 31 December 2017 £'000
European Rail Finance Limited	-	558,067	-	559,064
Eversholt Funding plc	-	1,940,000	-	1,940,000
Eversholt Rail (365) Limited	-	17,288	-	13,695
Eversholt Rail (380) Limited	-	-	-	-
Intercompany internal accrued interest	20,774	-	21,151	-
	<u>20,774</u>	<u>2,515,355</u>	<u>21,151</u>	<u>2,512,759</u>

The loan of £2 with Eversholt Rail (380) Limited is repayable on 4 November 2022. The loan is interest free.

The loan with European Rail Finance Limited is repayable on 4 November 2022. The entity may prepay and redraw its loan until the repayment date, interest is payable monthly at LIBID, less margin. (6 months ended 30 June 2017: LIBID, less margin).

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

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2018

14 Borrowings (continued)

The Eversholt UK Rails (Holding) Limited (Security group) ("Security group") has granted a fixed and floating charge over all of its assets to secure the borrowings of the Security group. The Company is not permitted to pledge these assets as security for other borrowings and is restricted over the use of proceeds of sale.

The loan with Eversholt Rail (365) Limited is unsecured and is repayable on 4 November 2022. The loan is interest free.

15 Deferred revenue

	30 June 2018	31 December 2017
	£'000	£'000
Arising in respect of maintenance contracts	<u>26,633</u>	<u>24,390</u>

The deferred revenue arises in respect of the Company's obligations in respect of maintenance contracts in certain leases. Amounts received in relation to future maintenance costs are deferred and released when these costs are incurred.

16 Related party transactions

The Company has loans with related parties, more fully described in note 9 and 14. Interest on the loans is more fully described in note 4 and 5.

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 2018	30 June 2017
	£'000	£'000
Eversholt Rail Leasing Limited	8,737	8,676
Eversholt Funding plc	8	-
Eversholt Rail (365) Limited	358	371
Eversholt Depot Finance Limited	67	70
	<u>9,170</u>	<u>9,117</u>

The Company received £33,219,400 from Eversholt Rail Leasing Limited for the procurement of maintenance of rolling stock (6 months ended 30 June 2017: £33,780,439). The Company received £5,723,040 from Eversholt Rail (365) Limited for the procurement of maintenance of rolling stock (6 months ended 30 June 2017: £4,881,983).

17 Contingent liabilities

There were no contingent liabilities for the Company at 30 June 2018.

18 Subsequent events

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

