

Eversholt Rail Leasing Limited

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

Registered No: 02720809

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			
Operating lease income	4	185,155	185,059
Other income		3	-
Total revenue		<u>185,158</u>	<u>185,059</u>
Cost of sales	5	(101,589)	(97,754)
Gross Profit		<u>83,569</u>	<u>87,305</u>
Finance expense	6	(46,610)	(42,396)
Net fair value gain on derivative financial instruments	15	25	2
Administrative expense	7	(8,779)	(8,618)
Loss on disposal of property, plant and equipment		(10)	-
Profit before tax		<u>28,195</u>	<u>36,293</u>
Income tax charge		(5,857)	(6,337)
Profit for the period		<u>22,338</u>	<u>29,956</u>

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 other 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		22,338	29,956
Other comprehensive (expense)/income			
Effective portion of changes in fair value of cash flow hedges	15	(4,147)	6,209
Realised gain on cash flow hedges to property, plant and equipment	15	(363)	(345)
Tax credit/(charge) on changes in effective portion of changes in fair value of cash flow hedges	14	766	(997)
		<u>(3,744)</u>	<u>4,867</u>
Total comprehensive income for the period		<u>18,594</u>	<u>34,823</u>

Effective portion of changes in fair value cash flow hedges may be reclassified to the Income statement upon termination of cash flow hedges.

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	8	2,313,422	2,307,489
Investments in subsidiaries	10	149,322	149,322
Derivative financial instruments	15	23,786	27,908
		<u>2,486,530</u>	<u>2,484,719</u>
Current assets			
Trade and other receivables	9	5,228	10,996
Current tax		16,417	17,828
Cash and cash equivalents		12,748	4,995
		<u>34,393</u>	<u>33,819</u>
Total assets		<u>2,520,923</u>	<u>2,518,538</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	11	28,666	32,438
Deferred revenue	12	3,987	3,142
Borrowings	13	55,790	54,588
		<u>88,443</u>	<u>90,168</u>
Non-current liabilities			
Deferred revenue	12	119,476	122,361
Borrowings	13	2,134,767	2,151,594
Deferred tax	14	80,055	74,827
		<u>2,334,298</u>	<u>2,348,782</u>
Total liabilities		<u>2,422,741</u>	<u>2,438,950</u>
Equity			
Share capital		50,000	50,000
Hedging reserve		22,611	26,355
Retained earnings		25,571	3,233
Total equity		<u>98,182</u>	<u>79,588</u>
Total equity and liabilities		<u>2,520,923</u>	<u>2,518,538</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 17 September 2018. They were signed on its behalf by:



A J Wesson
Director

Company registration number 02720809

Condensed statement of cash flows

for the 6 months ended 30 June 2018

	6 months ended	
	30 June 2018	30 June 2017
	£'000	£'000
Cash flows from operating activities		
Profit before tax	28,195	36,293
Adjustments for:		
- Depreciation charge	68,188	63,776
- Finance expense	46,610	42,396
- Loss on disposal of property, plant and equipment	10	-
- Gain on fair value of derivative financial instruments	(25)	(2)
Operating cash flow before changes in working capital	<u>142,978</u>	<u>142,463</u>
Decrease/(increase) in trade and other receivables	5,768	(5,913)
(Decrease)/increase in deferred revenue	(2,040)	2,099
(Decrease)/increase in trade and other payables	(3,772)	45,707
Cash generated by operating activities	<u>142,934</u>	<u>184,356</u>
Receipt in respect of group relief	1,548	-
Net cash generated by operating activities	<u>144,482</u>	<u>184,356</u>
Cash flow from investing activities		
Acquisition of property, plant and equipment	(74,494)	(103,683)
Acquisition of subsidiaries	-	(114,974)
Net cash utilised in investing activities	<u>(74,494)</u>	<u>(218,657)</u>
Cash flow from financing activities		
Loan repaid to Eversholt Rail Limited	(27,259)	(26,109)
Cash received on termination of derivatives	-	424
Finance expense paid	(46,610)	(42,396)
Other interest	45	44
Movement in working capital loan account with Eversholt Rail Limited	11,589	105,088
Net cash (utilised in)/generated by financing activities	<u>(62,235)</u>	<u>37,051</u>
Net movement in cash and cash equivalents	<u>7,753</u>	<u>2,750</u>
Cash and cash equivalents at beginning of the period	4,995	-
Cash and cash equivalents at end of the period	<u>12,748</u>	<u>2,750</u>

Condensed statement of changes in equity

for the 6 months ended 30 June 2018

	<i>Note</i>	Share capital	Hedging reserve	Retained earnings	Total equity
		£'000	£'000	£'000	£'000
Balance at 1 January 2017		50,000	20,513	39,021	109,534
Profit for the year		-	-	64,212	64,212
Effective portion of changes in fair value of cash flow hedges	15	-	7,512	-	7,512
Realised gain on cash flow hedges	15	-	(473)	-	(473)
Income tax charge on other comprehensive income	15	-	(1,197)	-	(1,197)
Total comprehensive income		-	5,842	64,212	70,054
Dividend paid		-	-	(100,000)	(100,000)
Balance at 31 December 2017		50,000	26,355	3,233	79,588
Profit for the period		-	-	22,338	22,338
Effective portion of changes in fair value of cash flow hedges	15	-	(4,147)	-	(4,147)
Realised gain on cash flow hedges	15	-	(363)	-	(363)
Income tax credit on other comprehensive expense	15	-	766	-	766
Total comprehensive (expense)/income		-	(3,744)	22,338	18,594
Balance at 30 June 2018		50,000	22,611	25,571	98,182

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2018

1 General information

Eversholt Rail Leasing Limited (the "Company") is a private company incorporated and domiciled in England and Wales under the Companies Act and is limited by 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.

The Company is exempt from the requirement to prepare consolidated financial statements by virtue of Section 401 of the Companies Act 2006. The financial statements present information about the Company as an individual undertaking.

2.1 Compliance with International Financial Reporting Standards

The financial statements of Eversholt Rail Leasing Limited have been prepared on the historical cost basis, except for the revaluation of derivative financial instruments.

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 financial statements have been assessed in conjunction with its immediate parent, European Rail Finance Holdings Limited, as its viability is dependent upon the ability of other group companies to provide funds for the Company when required. As a result and having made appropriate enquiries, reviewed forecasts and having the commitment of support from the parent, the Directors consider it reasonable to assume that the Company has adequate resources to continue for the foreseeable future and on this basis the accounts have been prepared on a going concern basis.

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 Operating lease income

	6 months ended	
	30 June 2018	30 June 2017
	£'000	£'000
Rentals receivable from third parties	<u>185,155</u>	<u>185,059</u>

5 Cost of sales

	6 months ended	
	30 June 2018	30 June 2017
	£'000	£'000
Depreciation	(68,188)	(63,776)
Maintenance cost	(33,401)	(33,978)
	<u>(101,589)</u>	<u>(97,754)</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2018

6 Finance expense

	6 months ended	
	30 June 2018	30 June 2017
	£'000	£'000
Interest payable to Eversholt Rail Limited	(14,316)	(8,327)
Interest payable on term loan from Eversholt Rail Limited	(32,120)	(33,271)
Finance charges payable to Eversholt Funding plc	(174)	(798)
	<u>(46,610)</u>	<u>(42,396)</u>

7 Administrative expense

Administrative expenses include the following:

	6 months ended	
	30 June 2018	30 June 2017
	£'000	£'000
Management fees payable to Eversholt Rail Limited	(8,737)	(8,676)
Management fees refunded from Eversholt Investment Limited	-	60
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	(26)	(25)

The Company has no employees and hence no staff costs (6 months ended 30 June 2017: nil).

8 Property, plant and equipment

	Rolling stock and other railway assets £'000
Cost	
Balance at 1 January 2017	2,394,249
Additions	248,556
Balance at 31 December 2017	<u>2,642,805</u>
Additions	74,131
Disposals	(364)
Balance at 30 June 2018	<u>2,716,572</u>
Depreciation	
Balance at 1 January 2017	205,051
Charge for the year	130,265
Balance at 31 December 2017	<u>335,316</u>
Charge for the period	68,188
Disposals	(354)
Balance at 30 June 2018	<u>403,150</u>
Carrying value at 30 June 2018	<u>2,313,422</u>
Carrying value at 31 December 2017	<u>2,307,489</u>

The cost of tangible fixed assets at 30 June 2018 includes capitalised interest of £32,827,397 (31 December 2017: £25,718,165). The capitalisation rate used is the rate of interest attaching to the Company's borrowings attributable to the acquisition of rolling stock.

The depreciation charge is included within the cost of sales in the Income statement.

All fixed assets are subject to operating lease arrangements.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2018

9 Trade and other receivables

	30 June 2018 £'000	31 December 2017 £'000
Trade receivables	<u>5,228</u>	<u>10,996</u>

10 Investments in subsidiaries

	30 June 2018 £'000	31 December 2017 £'000
Cost	<u>149,322</u>	<u>149,322</u>

11 Trade and other payables

	30 June 2018 £'000	31 December 2017 £'000
Trade payables	5,163	5,530
Rentals received in advance	3,529	10,690
Accruals	13,576	15,136
Other payables	6,398	1,082
	<u>28,666</u>	<u>32,438</u>

12 Deferred revenue

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

	30 June 2018 £'000	31 December 2017 £'000
Current	<u>3,987</u>	<u>3,142</u>
Non-current	<u>119,476</u>	<u>122,361</u>

The deferred revenue arises in respect of the Company's obligations in respect of maintenance contracts in certain leases.

13 Borrowings

	30 June 2018 £'000	31 December 2017 £'000
Current		
Eversholt Rail Limited (term loan)	<u>55,790</u>	<u>54,588</u>
Non-current		
Eversholt Rail Limited (term loan)	1,410,369	1,438,830
Eversholt Rail Limited (working capital loan)	718,567	706,978
Bank loan	5,831	5,786
	<u>2,134,767</u>	<u>2,151,594</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2018

13 Borrowings (continued)

The intragroup working capital loan with Eversholt Rail Limited is classified as non-current as it is repayable on 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 (2017: Group's senior debt, plus margin).

The bank loan from HSBC Bank plc is classified as non-current as it is repayable in 2021. Interest on the loan is payable six-monthly at a floating rate of GBP LIBOR (2017: GBP LIBOR).

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.

14 Deferred tax

Leasing transactions temporary differences:

	30 June 2018 £'000	31 December 2017 £'000
Balance at beginning of the period/year	74,827	62,632
Adjustment in respect of prior years	-	(659)
Accelerated capital allowances (temporary differences)	5,494	13,757
Change in tax rate	500	(2,100)
Income tax (credit)/charge on other comprehensive expense/income	(766)	1,197
Balance at end of the period/year	80,055	74,827

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 at 30 June 2018 has been calculated based on the rate of 17% substantively 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.

15 Derivative financial instruments

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

	Carrying amount 30 June 2018 £'000	Fair value 30 June 2018 £'000	Carrying amount 31 December 2017 £'000	Fair value 31 December 2017 £'000
Non-current assets				
FX forward contracts – hedge accounted	<u>23,786</u>	<u>23,786</u>	<u>27,908</u>	<u>27,908</u>

The Company continues to hold FX forward deals to hedge cash flow risk associated with the fluctuations in foreign exchange rates on payments for the purchase of new rolling stock.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2018

15 Derivative financial instruments (continued)**Movement of fair value of Derivative financial instruments**

	Current FX contracts £'000	Terminated FX contracts £'000	Total £'000
Balance at 1 January 2018	27,908	-	27,908
Unrealised gain through the income statement	25	-	25
Unrealised loss through other comprehensive income	(4,147)	-	(4,147)
Balance at 30 June 2018	23,786	-	23,786
Balance at 1 January 2017	20,416	-	20,416
Unrealised loss through the income statement	(20)	-	(20)
Unrealised gain through other comprehensive income	7,512	-	7,512
Balance at 31 December 2017	27,908	-	27,908

Movement in Hedging reserve

	Current FX contracts £'000	Terminated FX contracts £'000	Total £'000
Balance at 1 January 2018	(23,179)	(3,176)	(26,355)
Unrealised loss through other comprehensive income	4,147	-	4,147
Release to property, plant and equipment	335	28	363
Income tax credit on other comprehensive expense	(761)	(5)	(766)
Balance at 30 June 2018	(19,458)	(3,153)	(22,611)
Balance at 1 January 2017	(16,944)	(3,569)	(20,513)
Unrealised gain through other comprehensive income	(7,512)	-	(7,512)
Release to property, plant and equipment	-	473	473
Income tax charge/(credit) on other comprehensive income/expense	1,277	(80)	1,197
Balance at 31 December 2017	(23,179)	(3,176)	(26,355)

As at 30 June 2018, the hedges were deemed to be highly effective and the fair value asset of the foreign exchange forward contracts was £23,785,851 (31 December 2017: £27,908,113). The hedging reserve contains balances relating to outstanding and terminated derivative contracts.

Cumulative unrealised losses relating to contracts terminated during the year ended 31 December 2016 remain in other comprehensive income. During the period a gain of £363,150 (30 June 2017: £344,675) was realised to property, plant and equipment additions; the residual gain recognised in other comprehensive income will amortise to property, plant and equipment in line with the payment profile for the hedged capital expenditure.

16 Capital commitments

	30 June 2018 £'000	31 December 2017 £'000
In respect of capital expenditure	732,909	746,770

The above represents all capital commitments.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2018

17 Related-party transactions

The Company has loans with related parties, more fully described in note 13. Interest on the loans is more fully described in note 6.

The Company paid management fees to Eversholt Rail Limited of £8,736,671 (6 months ended 30 June 2017: £8,675,785). The Company paid management fees to Eversholt Investment Limited of £nil (6 months ended 30 June 2017: £60,000 refund received).

The Company paid Eversholt Rail Limited £33,219,400 for the procurement of maintenance of the rolling stock (6 months ended 30 June 2017: £33,780,439).

18 Contingent liabilities

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

19 Subsequent events

Eversholt Rail (380) Limited was released as an Obligor of the Security Group on 6 July 2018. Its Board subsequently approved its striking off from the Companies House register. The Board anticipates that the company will be wound up by December 2018.