

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

**Unaudited, condensed interim financial statements**  
for the 6 months ended 30 June 2015

**Registered No: 2720809**

**Condensed interim financial statements**

For the 6 months ended 30 June 2015

**Contents**

Condensed income statement	2
Condensed statement of comprehensive income	2
Condensed statement of financial position	3
Condensed statement of cash flows	4
Condensed statement of changes in equity	5
Notes to the condensed interim financial statements	6

**Condensed income statement**

for the 6 months ended 30 June 2015

	<i>Notes</i>	<b>6 months ended</b>	
		<b>30 June 2015</b>	<b>30 June 2014</b>
		<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>			
Operating lease income		85,950	92,175
Other revenue		3,291	-
Service charge income		50	58
<b>Total income</b>		<b>89,291</b>	<b>92,233</b>
Cost of sales	<b>4</b>	<b>(75,415)</b>	<b>(79,906)</b>
<b>Gross Profit</b>		<b>13,876</b>	<b>12,327</b>
Finance expense	<b>5</b>	<b>(2,971)</b>	<b>(2,015)</b>
Administrative expenses	<b>6</b>	<b>(1,080)</b>	<b>(1,075)</b>
Profit on disposal of property, plant and equipment		3,652	-
<b>Profit before tax</b>		<b>13,477</b>	<b>9,237</b>
Taxation		<b>(9,441)</b>	<b>(1,946)</b>
<b>Profit for the period</b>		<b>4,036</b>	<b>7,291</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 2015

There has been no comprehensive income or expense other than the profit for the period as shown above (period ended 30 June 2014: nil).

**Condensed statement of financial position**

as at 30 June 2015

	<i>Notes</i>	30 June 2015 £'000	31 December 2014 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	206,843	213,948
Trade and other receivables	8	19,924	4,315
Investments in subsidiaries		34,348	34,348
		<u>261,115</u>	<u>252,611</u>
<b>Current assets</b>			
Trade and other receivables	8	1,865	4,441
<b>Total assets</b>		<u>262,980</u>	<u>257,052</u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	9	13,570	16,445
Current tax		10,498	6,275
Deferred revenue	10	1,101	5,451
		<u>25,169</u>	<u>28,171</u>
<b>Non-current liabilities</b>			
Borrowings	11	116,439	114,215
Deferred tax	12	21,788	22,855
Deferred revenue	10	44,765	41,028
		<u>182,992</u>	<u>178,098</u>
<b>Total liabilities</b>		<u>208,161</u>	<u>206,269</u>
<b>Equity</b>			
Share capital		50,000	50,000
Retained earnings		4,819	783
<b>Total equity</b>		<u>54,819</u>	<u>50,783</u>
<b>Total equity and liabilities</b>		<u>262,980</u>	<u>257,052</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 24 August 2015. They were signed on its behalf by:



**D G Stickland**  
Director

Company registration number 2720809

**Condensed statement of cash flows**

for the 6 months ended 30 June 2015

	<b>6 months ended</b>	
	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	13,477	9,237
Adjustments for:		
- Depreciation charge	4,960	5,242
- Profit on disposal of property, plant and equipment	(3,652)	-
- Finance expense	2,971	2,015
<b>Operating cash flow before changes in working capital</b>	<b>17,756</b>	<b>16,494</b>
Increase in trade and other receivables	(13,033)	(2,422)
Decrease in deferred revenue	(205)	(4,416)
Decrease in trade and other payables	(2,875)	(810)
<b>Cash generated by operating activities</b>	<b>1,643</b>	<b>8,846</b>
Tax paid	(6,285)	(6,689)
<b>Net cash (utilised in)/generated by operating activities</b>	<b>(4,642)</b>	<b>2,157</b>
<b>Investing activities</b>		
Acquisition of property, plant and equipment	(1,513)	(648)
Proceeds from disposal of property, plant and equipment	6,902	-
<b>Net cash generated by/(utilised in) investing activities</b>	<b>5,389</b>	<b>(648)</b>
<b>Financing activities</b>		
Loans repaid	-	(51,271)
Dividend paid	-	(7,000)
Finance expenses paid	(2,971)	(2,015)
Other interest	46	16
Movement in working capital loan account	2,178	58,761
<b>Net cash utilised in financing activities</b>	<b>(747)</b>	<b>(1,509)</b>
<b>Net movement in cash and cash equivalents</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents at beginning of the period	-	-
<b>Cash and cash equivalents at end of the period</b>	<b>-</b>	<b>-</b>

**Condensed statement of changes in equity**

for the 6 months ended 30 June 2015

	Share capital £'000	Retained earnings £'000	Total shareholders' equity £'000
<b>Balance at 1 January 2014</b>	50,000	36,404	86,404
Profit for the year	-	34,879	34,879
Dividend paid	-	(70,500)	(70,500)
<b>Balance at 31 December 2014</b>	<u>50,000</u>	<u>783</u>	<u>50,783</u>

	Share capital £'000	Retained earnings £'000	Total shareholders' equity £'000
<b>Balance at 1 January 2015</b>	50,000	783	50,783
Profit for the period	-	4,036	4,036
<b>Balance at 30 June 2015</b>	<u>50,000</u>	<u>4,819</u>	<u>54,819</u>

## Notes to the condensed interim financial statements

for the 6 months ended 30 June 2015

### 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 £'000. In 2015, the financial statements have been converted from £ to £'000. All amounts have been rounded to the nearest thousand, unless otherwise indicated. In the opinion of the Directors, the conversion was required to become clearer to the reader of these financial statements.

#### 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 2014. 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 2014.

#### 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 2014.

### 4 Cost of sales

	6 months ended	
	30 June 2015	30 June 2014
	£'000	£'000
Operating lease rental	49,225	49,810
Depreciation	4,960	5,242
Maintenance cost	21,230	24,854
	<u>75,415</u>	<u>79,906</u>

### 5 Finance expense

	6 months ended	
	30 June 2015	30 June 2014
	£'000	£'000
Interest payable to Eversholt Rail (UK) Limited	2,941	1,914
Finance charges payable to Eversholt Funding plc	30	79
Other interest	-	22
	<u>2,971</u>	<u>2,015</u>

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

for the 6 months ended 30 June 2015

**6 Administrative expenses**

Administrative expenses include the following:

	<b>6 months ended</b>	
	<b>30 June 2015</b>	<b>30 June 2014</b>
	<b>£'000</b>	<b>£'000</b>
Management fees	1,048	905
Audit fees	8	8

The Company has no employees and hence no staff costs (6 months ended 30 June 2014: nil).

**7 Property, plant and equipment**

	<b>Rolling stock and other railway assets £'000</b>
<b>Cost</b>	
<b>Balance at 1 January 2014</b>	288,794
Additions	2,000
<b>Balance at 31 December 2014</b>	290,794
Additions	1,513
Disposals	(7,900)
<b>Balance at 30 June 2015</b>	<b>284,407</b>
<b>Depreciation</b>	
<b>Balance at 1 January 2014</b>	66,408
Charge for the year	10,438
<b>Balance at 31 December 2014</b>	76,846
Charge for the period	4,960
Disposals	(4,242)
<b>Balance at 30 June 2015</b>	<b>77,564</b>
<b>Carrying value at 30 June 2015</b>	<b>206,843</b>
Carrying value at 31 December 2014	213,948

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.

**8 Trade and other receivables**

	<b>30 June 2015 £'000</b>	<b>31 December 2014 £'000</b>
<b>Receivables no later than one year:</b>		
Trade receivables	1,802	4,441
Other receivables	18	-
Prepayments	45	-
	<b>1,865</b>	<b>4,441</b>
<b>Receivables later than one year:</b>		
Maintenance prepayment	19,924	4,315



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

for the 6 months ended 30 June 2015

**9 Trade and other payables**

	<b>30 June 2015 £'000</b>	<b>31 December 2014 £'000</b>
Trade payables	7,449	7,116
Lease rentals received in advance	1,711	4,568
Accruals	235	1,155
Other payables	4,175	3,606
	<u>13,570</u>	<u>16,445</u>

**10 Deferred revenue**

	<b>30 June 2015 £'000</b>	<b>31 December 2014 £'000</b>
<b>Current</b>	<u>1,101</u>	<u>5,451</u>
<b>Non-current</b>	<u>44,765</u>	<u>41,028</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.

**11 Borrowings**

	<b>30 June 2015 £'000</b>	<b>31 December 2014 £'000</b>
<b>Non-current</b>		
Eversholt Rail (UK) Limited	110,884	108,706
Bank loan	5,555	5,509
	<u>116,439</u>	<u>114,215</u>

The intragroup loan with Eversholt Rail (UK) 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 (2014: senior debt plus margin).

The bank loan from HSBC Bank plc is secured against assets of the Class 365 fleet. It 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 (2014: GBP LIBOR).

**12 Deferred tax**

	<b>30 June 2015 £'000</b>	<b>31 December 2014 £'000</b>
Balance at beginning of the period/year	22,855	31,055
Income statement credit	(1,067)	(8,200)
<b>Balance at end of the period/year</b>	<u>21,788</u>	<u>22,855</u>

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

for the 6 months ended 30 June 2015

**12 Deferred tax (continued)**

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 2015 has been calculated based on the rate of 20% substantively enacted at the reporting date.

Further reductions to 19% from 1 April 2017 and 18% from 1 April 2020 were announced in the budget of 8 July 2015 and are expected to be substantially enacted in Autumn 2015. These announcements will be incorporated in the results when Royal Assent is given and therefore will reduce the Company's future current tax charge accordingly.

Legislation was introduced in the Finance Act 2015 to establish a new tax - the Diverted Profits Tax. The new tax regime levies a tax at 25 per cent on diverted profits arising from UK activity generated after 1 April 2015. The Company's results include an estimate of the impact of this new legislation.

**13 Capital commitments**

In respect of capital expenditure:

	<b>30 June 2015 £'000</b>	<b>31 December 2014 £'000</b>
Authorised and contracted	<u>3,766</u>	<u>1,379</u>

**14 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.

A management fee of £1,042,566 is payable to Eversholt Rail (UK) Limited for the period (6 months ended 30 June 2014: £899,718) and £5,000 is payable to Eversholt Investment Limited (6 months ended 30 June 2014: £5,000)

The Company leases assets from European Rail Finance Limited. The operating lease expense of £49,225,554 (6 months ended 30 June 2014: £49,809,725) is included in cost of sales.

The Company has paid Eversholt Rail (UK) Limited £18,713,311 for the procurement of maintenance of the rolling stock (6 months ended 30 June 2014: £23,124,348).

Included in trade and other receivables is a prepayment to Eversholt Rail (UK) Limited of £45,000 (year ended 31 December 2014: nil).

For the period ended 30 June 2015 no dividends were declared or paid to European Rail Finance Holdings Limited (6 months ended 30 June 2014: £7,000,000).

**15 Contingent liabilities**

There were no contingent liabilities for the Company at 30 June 2015.

**16 Subsequent events**

On 29 July 2015, the Company signed a contract with First Great Western to procure and finance 173 new AT300 vehicles at a cost of £361 million. The fleet will comprise 22 five-car and 7 nine-car trains, and is scheduled to enter service by December 2018.