

European Rail Finance (GB) Limited

**Unaudited, condensed interim financial statements
for the 6 months ended 30 June 2013**

Registered No: 2720809

Condensed interim financial statements

For the 6 months ended 30 June 2013

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Unaudited

Condensed income statement

for the 6 months ended 30 June 2013

	Notes	6 months ended	
		30 June 2013	30 June 2012
		£	£
Revenue			
Operating lease income		92,365,074	95,627,381
Finance lease income		252	992
Total income		92,365,326	95,628,373
Cost of sales	4	(79,756,002)	(83,163,927)
Gross Profit		12,609,324	12,464,446
Finance income	5	128,575	468,638
Finance expense	6	(1,794,085)	(1,752,338)
Administrative expense	7	(1,326,910)	(1,306,693)
Gain on disposal of property, plant and equipment		125,000	2,605,469
Profit before tax		9,741,904	12,479,522
Taxation (charge)/credit		(2,313,518)	2,608,179
Profit for the period		7,428,386	15,087,701

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 2013

	Note	6 months ended	
		30 June 2013	30 June 2012
		£	£
Profit for the period		7,428,386	15,087,701
Dividend paid	16	(7,500,000)	-
Total comprehensive (expense)/income for the period		(71,614)	15,087,701

European Rail Finance (GB) Limited

Condensed statement of financial position

as at 30 June 2013

	Notes	30 June 2013 £	31 December 2012 £
Assets			
Non-current assets			
Property, plant and equipment	8	224,838,927	224,604,538
Trade and other receivables	9	5,537,804	3,986,420
Investments in subsidiaries		34,348,449	34,348,449
		<u>264,725,180</u>	<u>262,939,407</u>
Current assets			
Finance lease receivables		1,177	1,765
Loans receivable	10	9,609,460	834,434
Trade and other receivables	9	3,975,381	545,449
		<u>13,586,018</u>	<u>1,381,648</u>
Total assets		<u>278,311,198</u>	<u>264,321,055</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	11	24,869,795	15,670,558
Current tax		17,417,867	10,927,554
Deferred revenue	14	412,858	421,514
Provisions		55,000	55,000
		<u>42,755,520</u>	<u>27,074,626</u>
Non-current liabilities			
Borrowings	12	62,172,742	64,247,742
Deferred tax	13	39,605,766	43,919,512
Deferred revenue	14	49,421,623	44,652,014
		<u>151,200,131</u>	<u>152,819,268</u>
Total liabilities		<u>193,955,651</u>	<u>179,893,894</u>
Equity			
Share capital		50,000,002	50,000,002
Retained earnings		34,355,545	34,427,159
Total equity		<u>84,355,547</u>	<u>84,427,161</u>
Total equity and liabilities		<u>278,311,198</u>	<u>264,321,055</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 27 August 2013. 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 2013

	6 months ended	
	30 June 2013	30 June 2012
	£	£
Profit before tax	9,741,904	12,479,522
Adjustments for:		
- Depreciation charge	5,048,135	5,245,533
- Profit on disposal of property, plant and equipment	(125,000)	(2,605,469)
- Interest accrual	1,794,085	1,752,338
Operating cash flows before changes in working capital	16,459,124	16,871,924
Decrease in finance lease receivable	588	25,681
(Increase)/decrease in trade and other receivables	(4,981,316)	6,425,107
Increase in deferred revenue	4,760,953	2,893,767
Increase/(decrease) in trade and other payables	9,199,239	(1,932,138)
Cash flow generated by operating activities	25,438,588	24,284,341
Income tax paid	(136,953)	(14,425,198)
Net cash generated by operating activities	25,301,635	9,859,143
Investing activities		
Acquisition of property, plant and equipment	(5,282,524)	(2,041,525)
Proceeds from disposal of property, plant and equipment	125,000	4,971,000
Net cash (utilised in)/generated by investing activities	(5,157,524)	2,929,475
Financing activities		
Loans raised	-	54,138
Loans repaid	(2,075,000)	(34,348,449)
Dividend paid	(7,500,000)	-
Finance expense paid	(1,607,629)	(1,652,578)
Interest paid	(186,456)	(99,760)
Movement in working capital loan account with Eversholt Rail (UK)	(8,775,026)	23,258,031
Net cash utilised in financing activities	(20,144,111)	(12,788,618)
Net increase/(decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the period	-	-
Cash and cash equivalents at end of the period	-	-

Condensed statement of changes in equity

for the 6 months ended 30 June 2013

	Share capital £	Retained earnings £	Total shareholders' equity £
Balance at 1 January 2012	50,000,002	14,505,781	64,505,783
Profit for the period	-	15,087,701	15,087,701
Balance at 30 June 2012	50,000,002	29,593,482	79,593,484
Profit for the period	-	4,833,677	4,833,677
Balance at 31 December 2012	<u>50,000,002</u>	<u>34,427,159</u>	<u>84,427,161</u>

	Share capital £	Retained earnings £	Total shareholders' equity £
Balance at 1 January 2013	50,000,002	34,427,159	84,427,161
Profit for the period	-	7,428,386	7,428,386
Dividend paid	-	(7,500,000)	(7,500,000)
Balance at 30 June 2013	<u>50,000,002</u>	<u>34,355,545</u>	<u>84,355,547</u>

Unaudited

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2013

1 General information

European Rail Finance (GB) Limited is a company incorporated 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 2012. 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.

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 these applied by the Company in its financial statements for the year ended 31 December 2012.

4 Cost of sales

	6 months ended	
	30 June 2013	30 June 2012
	£	£
Operating lease rental	(52,825,774)	(54,825,476)
Depreciation	(5,048,135)	(5,245,533)
Maintenance cost	(21,882,093)	(23,092,918)
	<u>(79,756,002)</u>	<u>(83,163,927)</u>

5 Finance income

	6 months ended	
	30 June 2013	30 June 2012
	£	£
Interest receivable from Eversholt Rail (UK) Limited	<u>128,575</u>	<u>468,638</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2013

6 Finance expense

	6 months ended	
	30 June 2013	30 June 2012
	£	£
Interest payable to Eversholt Funding Plc	(1,607,629)	(1,606,026)
Interest payable to Eversholt Rail (UK) Limited	(106,273)	(90,044)
Finance charges payable to Eversholt Funding Plc	(80,183)	(46,552)
Other interest	-	(9,716)
	<u>(1,794,085)</u>	<u>(1,752,338)</u>

7 Administrative expense

Administrative expenses include the following:

	6 months ended	
	30 June 2013	30 June 2012
	£	£
Management fees	(1,225,000)	(1,225,000)
Audit fees	(7,804)	(8,482)

The Company has no employees and hence no staff costs (6 months ended 30 June 2012: nil)

8 Property, plant and equipment

	Rolling stock and other railway assets £
Cost	
Balance at 1 January 2012	281,765,981
Additions	2,453,857
Disposals	(3,387,111)
Balance at 31 December 2012	<u>280,832,727</u>
Additions	5,282,524
Disposals	-
Balance at 30 June 2013	<u>286,115,251</u>
Depreciation	
Balance at 1 January 2012	46,741,196
Charge for the year	10,508,574
Disposals	(1,021,581)
Balance at 31 December 2012	<u>56,228,189</u>
Charge for the period	5,048,135
Disposals	-
Balance at 30 June 2013	<u>61,276,324</u>
Carrying value at 30 June 2013	<u>224,838,927</u>
Carrying value at 31 December 2012	<u>224,604,538</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 2013

9 Trade and other receivables

	30 June 2013 £	31 December 2012 £
Receivables no later than one year:		
Trade receivables	2,342,048	137,115
Prepayments	1,633,333	408,334
	<u>3,975,381</u>	<u>545,449</u>
Receivables later than one year:		
Maintenance prepayment	<u>5,537,804</u>	<u>3,986,420</u>

10 Loans receivable

	30 June 2013 £	31 December 2012 £
Eversholt Rail (UK) Limited	<u>9,609,460</u>	<u>834,434</u>

The loan to Eversholt Rail (UK) Limited is unsecured and repayable on demand. Interest is charged at one month's GBP Libor plus 1.75% (year ended 31 December 2012: one month's GBP Libor plus 1.75%).

11 Trade and other payables

	30 June 2013 £	31 December 2012 £
Advance rental payment received	11,235,352	11,315,436
Trade and other payables	11,339,148	2,451,581
Value added tax	2,216,446	1,824,692
Other payables	78,849	78,849
	<u>24,869,795</u>	<u>15,670,558</u>

12 Borrowings

	Non-current £	Total £
30 June 2013		
Eversholt Funding Plc	56,784,468	56,784,468
Bank loan	5,388,274	5,388,274
	<u>62,172,742</u>	<u>62,172,742</u>
31 December 2012		
Eversholt Funding plc	58,916,271	58,916,271
Bank loan	5,331,471	5,331,471
	<u>64,247,742</u>	<u>64,247,742</u>

The loan from Eversholt Funding plc is repayable in line with the repayment terms on Eversholt Funding plc's own external debt. According to these terms, nothing is payable on demand (year ended 31 December 2012: nil).

13 Deferred tax liability

	30 June 2013 £	31 December 2012 £
Leasing transactions temporary differences:		
Balance at beginning of the year	43,919,512	65,438,442
Income statement credit	(4,313,746)	(21,518,930)
Balance at end of the period/year	<u>39,605,766</u>	<u>43,919,512</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2013

13 Deferred tax liability (continued)

Leasing transactions temporary differences relate principally to accelerated capital allowances and depreciation.

The Spring Statement on 20 March 2013 announced that the UK Corporation Tax rate would reduce to 20% by 2015. This followed an earlier announcement in December 2012 that the rate would fall to 21% by 1 April 2014. These planned reductions will reduce the company's future current tax charge accordingly. However, as neither the 21% rate or the 20% rate has been enacted as at 30 June 2013, only the effect of the current 23% rate has been included in these accounts.

14 Deferred revenue

	30 June 2013	31 December 2012
	£	£
Current	<u>412,858</u>	<u>421,514</u>
Non-current	<u>49,421,623</u>	<u>44,652,014</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 obligations in respect of maintenance contracts in certain leases.

15 Capital commitments

In respect of capital expenditure:

	30 June 2013	31 December 2012
	£	£
Authorised and contracted	<u>1,598,000</u>	<u>5,297,000</u>

16 Related-party transactions

The Company has loans with related parties, more fully described in notes 10 and 12. Interest on the loans is more fully described in notes 5 and 6.

The Company paid management fees to Eversholt Rail (UK) Ltd of £2,450,000 (6 months ended 30 June 2012: £2,450,000).

The Company leases assets from European Rail Finance Limited. The operating lease expense of £52,825,774 (6 months ended 30 June 2012: £54,825,476) is included in cost of sales.

The Company has paid Eversholt Rail (UK) Ltd £21,881,459 for the procurement of maintenance of the rolling stock (6 months ended 30 June 2012: £23,069,702).

Included in trade and other receivables is a prepayment to Eversholt Rail (UK) Limited of £1,633,333 (year ended 31 December 2012: £408,333).

For the period ended 30 June 2013 a dividend of £7,500,000 was paid to European Rail Finance Holdings Limited (6 months ended 30 June 2012: nil).

17 Contingent liabilities

There were no contingent liabilities for the Company at 30 June 2013 (year ended 31 December 2012: none).

18 Subsequent events

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