

European Rail Finance (GB) Limited

**Unaudited, condensed interim financial statements
for the 6 months ended 30 June 2012**

Registered No: 2720809

Condensed interim financial statements

For the 6 months ended 30 June 2012

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Unaudited

Condensed income statement

for the 6 months ended 30 June 2012

		6 months ended	
	<i>Notes</i>	30 June 2012	30 June 2011
		£	£
Revenue			
Operating lease income		95,627,381	108,932,511
Finance lease income		992	-
Total income		<u>95,628,373</u>	<u>108,932,511</u>
Cost of sales	4	<u>(83,163,927)</u>	<u>(104,959,186)</u>
Gross Profit		12,464,446	3,973,325
Finance income	5	468,638	-
Finance expense	6	(1,752,338)	(1,899,098)
Administrative expense	7	(1,306,693)	(1,386,326)
Gain on disposal of property, plant and equipment		<u>2,605,469</u>	<u>83,000</u>
Profit before tax		12,479,522	770,901
Taxation		<u>2,608,179</u>	<u>(210,071)</u>
Profit for the period		<u><u>15,087,701</u></u>	<u><u>560,830</u></u>

There were no discontinued or discontinuing operations during the period.

Statement of comprehensive income

for the 6 months ended 30 June 2012

There has been no comprehensive income or expense other than the profit for the period as shown above (6 months ended 30 June 2011: nil).

Condensed statement of financial position

as at 30 June 2012

		30 June 2012 £	31 December 2011 £
Assets			
Non-current assets			
Property, plant and equipment	8	229,455,247	235,024,785
Trade and other receivables	9	745,791	8,276,886
Investment in subsidiaries		34,348,449	34,348,449
		<u>264,549,487</u>	<u>277,650,120</u>
Current assets			
Finance lease receivables		3,401	29,081
Loans receivable	10	-	19,155,967
Trade and other receivables	9	3,263,134	2,157,148
		<u>3,266,535</u>	<u>21,342,196</u>
Total assets		<u>267,816,022</u>	<u>298,992,316</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	11	15,545,771	17,477,910
Current tax		6,631,694	14,425,198
Borrowings	12	27,657,480	57,903,864
Deferred revenue	14	39,593,325	36,699,557
Provisions		100,000	100,000
		<u>89,528,270</u>	<u>126,606,529</u>
Non-current liabilities			
Borrowings	12	42,495,699	42,441,562
Deferred tax	13	56,198,569	65,438,442
		<u>98,694,268</u>	<u>107,880,004</u>
Total liabilities		<u>188,222,538</u>	<u>234,486,533</u>
Equity			
Share capital		50,000,002	50,000,002
Retained earnings		29,593,482	14,505,781
Total equity		<u>79,593,484</u>	<u>64,505,783</u>
Total equity and liabilities		<u>267,816,022</u>	<u>298,992,316</u>

The financial statements were approved by the board of directors and authorised for issue in 28 August 2012. They were signed on its behalf by:



S F Purves
Director

Company registration number 2720809

Condensed statement of cash flows

for the 6 months ended 30 June 2012

		6 months ended	
	Note	30 June 2012	30 June 2011
		£	£
Cash flow generated by operating activities	15	24,184,581	15,001,152
Income tax paid		(14,425,198)	(9,993,660)
Net cash generated by operating activities		<u>9,759,383</u>	<u>5,007,492</u>
Investing activities			
Acquisition of property, plant and equipment		(2,041,525)	(5,178,404)
Proceeds from disposal of property, plant and equipment		4,971,000	83,000
Net cash generated by/(utilised in) investing activities		<u>2,929,475</u>	<u>(5,095,404)</u>
Financing activities			
Loans raised		54,138	87,912
Loans repaid		(34,348,449)	-
Finance expense paid		(1,652,578)	-
Movement in working capital loan account With Eversholt Rail (UK) Limited		<u>23,258,031</u>	-
Net cash (utilised in)/generated by financing activities		<u>(12,688,858)</u>	<u>87,912</u>
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the period		-	-
Cash and cash equivalents at end of the period		<u>-</u>	<u>-</u>

Condensed statement of changes in equity

for the 6 months ended 30 June 2012

	Share capital £	Retained earnings £	Total shareholders' equity £
Balance at 1 January 2011	50,000,002	5,209,781	55,209,783
Profit for the period	-	560,830	560,830
Balance at 30 June 2011	<u>50,000,002</u>	<u>5,770,611</u>	<u>55,770,613</u>

	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	<u>50,000,002</u>	<u>29,593,482</u>	<u>79,593,484</u>

Unaudited

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2012

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 2011. 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 2011.

4 Cost of sales

	6 months ended	
	30 June 2012	30 June 2011
	£	£
Operating lease rental	(54,825,476)	(63,230,709)
Depreciation	(5,245,533)	(13,637,686)
Maintenance cost	(23,092,918)	(28,090,791)
	<u>(83,163,927)</u>	<u>(104,959,186)</u>

5 Finance income

	6 months ended	
	30 June 2012	30 June 2011
	£	£
Interest receivable from Eversholt Rail (UK) Limited	<u>468,638</u>	<u>-</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2012

6 Finance expense	6 months ended	
	30 June 2012	30 June 2011
	£	£
Finance expense payable to Eversholt Funding Plc	(1,652,578)	(1,851,057)
Other finance expense	(99,760)	(48,041)
	<u>(1,752,338)</u>	<u>(1,899,098)</u>

7 Administrative expense

Administrative expenses include the following:

	6 months ended	
	30 June 2012	30 June 2011
	£	£
Management fees	(1,225,000)	(1,225,000)
Audit fees in respect of 2012 audit	(8,482)	-

The Company has no employees and hence no staff costs (6 months ended 30 June 2011: nil)

8 Property, plant and equipment

	Rolling stock and other railway assets
	£
Cost	
Balance at 1 January 2011	276,497,575
Additions	5,268,406
Balance at 31 December 2011	<u>281,765,981</u>
Additions	2,041,525
Disposals	(3,387,111)
Balance at 30 June 2012	<u>280,420,395</u>
Depreciation	
Balance at 1 January 2011	21,932,530
Charge for the year	24,808,666
Balance at 31 December 2011	<u>46,741,196</u>
Charge for the period	5,245,533
Disposals	(1,021,581)
Balance at 30 June 2012	<u>50,965,148</u>
Net carrying value	
Carrying value at 30 June 2012	<u>229,455,247</u>
Carrying value at 31 December 2011	<u>235,024,785</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.

The useful lives of certain classes of rolling stock have been extended in response to changing market conditions that will ensure that they will be utilised for a longer period. The effect of this change for the 6 months ended 30 June 2012 is to reduce depreciation by £8,314,134. Going forward, the annual depreciation charge has been reduced by £16,628,268 as a result of this change in estimate.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2012

9 Trade and other receivables

	30 June 2012	31 December 2011
	£	£
Receivable no later than one year:		
Trade receivables	1,629,801	1,748,814
Prepayments	1,633,333	408,334
	<u>3,263,134</u>	<u>2,157,148</u>
Receivable later than one year:		
Maintenance prepayment	<u>745,791</u>	<u>8,276,886</u>

10 Loan receivables

	30 June 2012	31 December 2011
	£	£
Eversholt Rail (UK) Limited	-	<u>19,155,967</u>

The loan to Eversholt Rail (UK) Limited is unsecured, has no fixed date for repayment and is therefore technically repayable on demand. Interest is charged at Libor plus 1.75%.

11 Trade and other payables

	30 June 2012	31 December 2011
Rentals received in advance	5,573,581	11,411,240
Trade payables	6,710,786	1,689,857
Value added tax	3,132,557	4,295,131
Other payables	128,847	81,682
	<u>15,545,771</u>	<u>17,477,910</u>

12 Borrowings

	Current	Non-current	Total
	£	£	£
30 June 2012			
Eversholt Funding Plc	23,555,416	37,221,954	60,777,370
Eversholt Rail (UK) Limited	4,102,064	-	4,102,064
Other loan	-	5,273,745	5,273,745
	<u>27,657,480</u>	<u>42,495,699</u>	<u>70,153,179</u>
31 December 2011			
Eversholt Rail (UK) Limited	-	-	-
Eversholt Funding Plc	23,555,415	37,221,954	60,777,369
Eversholt Investment Limited	9,348,449	-	9,348,449
European Rail Finance Holdings Limited	25,000,000	-	25,000,000
Other loan	-	5,219,608	5,219,608
	<u>57,903,864</u>	<u>42,441,562</u>	<u>100,345,426</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2012

13 Deferred tax liability

	30 June 2012	31 December 2011
	£	£
Leasing transactions temporary differences:		
Balance at beginning of the period/year	65,438,442	91,475,702
Income statement credit	<u>(9,239,873)</u>	<u>(26,037,260)</u>
Balance at end of the period/year	<u>56,198,569</u>	<u>65,438,442</u>

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

The Finance Act 2011 amended the effective rate from 1 April 2011 to 26% and amended the main rate of corporation tax to 25% effective from 1 April 2012. The Finance Act 2012 announced the main rate of corporation tax of 24% effective from 1 April 2012; 23% effective from 1 April 2013 and 22% effective from 1 April 2014.

At the date of this report, the rate of 23% had been substantively enacted and is therefore the rate used to calculate the deferred tax balance at the end of the period.

14 Deferred revenue

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

	30 June 2012	31 December 2011
	£	£
Due within one year:		
Arising in respect of maintenance	<u>39,593,325</u>	<u>36,699,557</u>

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

15 Note to the cash flow statement

	6 months ended	
	30 June 2012	30 June 2011
	£	£
Profit before tax	12,479,522	770,901
Adjustments for:		
- Depreciation charge	5,245,533	13,637,686
- Profit on disposal of property, plant and equipment	(2,605,469)	(83,000)
- Interest accrual	1,652,578	
- Utilisation of design and endemic provision	<u>-</u>	<u>(58,397)</u>
Operating cash flows before changes in working capital	16,772,164	14,267,190
Decrease in finance lease receivable	25,681	9,654
Decrease/(increase) in trade and other receivables	6,425,107	(6,500,631)
Increase in deferred revenue	2,893,767	-
(Decrease)/increase in trade and other payables	<u>(1,932,138)</u>	<u>7,224,939</u>
Cash generated by operating activities	<u>24,184,581</u>	<u>15,001,152</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2012

16 Capital commitments

	6 months ended	
	30 June	30 June
	2012	2011
	£	£
In respect of capital expenditure:	<u>6,345,000</u>	<u>5,959,063</u>

These commitments include £5,905,110 of retention payments in connection with the acquisition of the Class 395 fleet

17. 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 £1,225,000 (6 months ended 30 June 2011: £1,225,000).

The Company leases assets from European Rail Finance Limited. The operating lease expense of £54,825,476 (6 months ended 30 June 2011: £63,230,709) is included in cost of sales.

The Company has paid Eversholt Rail (UK) Ltd £23,069,702 for the procurement of maintenance of the rolling stock (6 months ended 30 June 2011: £27,360,192)

Included in trade and other receivables is a prepayment to Eversholt Rail (UK) Limited of £1,633,333

18. Contingent liabilities

There were no contingent liabilities for the Company at 30 June 2012.

19. Subsequent events

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