

European Rail Finance Limited

**Unaudited, condensed interim financial statements
for the 6 months ended 30 June 2016**

Registered No: IR443563

Unaudited

Condensed interim financial statements
for the 6 months ended 30 June 2016

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Unaudited

European Rail Finance Limited

Condensed income statement

For the 6 months ended 30 June 2016

	Notes	6 months ended	
		30 June 2016 £'000	30 June 2015 £'000
Revenue			
Operating lease income	4	-	115,202
Other income		-	187
Total income		-	115,389
Cost of sales	5	-	(47,751)
Gross profit		-	67,638
Finance lease income	6	25,921	-
Finance expense	7	(15,283)	(31,959)
Other expenses		-	(3,289)
Administrative expenses	8	(58)	(6,271)
Profit on disposal of property, plant and equipment		-	24,005
Profit before tax		10,580	50,124
Income tax charge		(2,116)	(6,265)
Profit for the period		8,464	43,859

The results are all derived from discontinued operations.

The notes on pages 6 to 8 form an integral part of these financial statements.

Condensed statement of comprehensive income

for the 6 months ended 30 June 2016

There has been no comprehensive income or expense other than the profit for the period as shown above (period ended 30 June 2015: nil)



A J Wesson
Director



A J Course
Director

Company registration number: IR443563

Condensed statement of financial position

as at 30 June 2016

	Notes	30 June 2016 £'000	31 December 2015 £'000
Assets			
Non-current assets			
Finance lease receivable	9	-	1,566,570
Property, plant and equipment	10	-	-
Loan receivable	11	591,278	-
		<u>591,278</u>	<u>1,566,570</u>
Current assets			
Finance lease receivable	9	-	5,890
Trade and other receivables	12	14	121
		<u>14</u>	<u>6,011</u>
Total assets		<u>591,292</u>	<u>1,572,581</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	13	3,120	6,751
Current tax		27,737	25,621
		<u>30,857</u>	<u>32,372</u>
Non-current liabilities			
Borrowings	14	-	988,238
Current tax		23,673	23,673
		<u>23,673</u>	<u>1,011,911</u>
Total liabilities		<u>54,530</u>	<u>1,044,283</u>
Equity			
Share capital		50,000	50,000
Retained earnings		486,762	478,298
Total equity		<u>536,762</u>	<u>528,298</u>
Total equity and liabilities		<u>591,292</u>	<u>1,572,581</u>

The notes on pages 6 to 8 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 27 September 2016. They were signed on its behalf by:



A J Wesson
Director



A J Course
Director

Company registration number: IR443563

Condensed statement of cash flows

for the 6 months ended 30 June 2016

	6 months ended	
	30 June 2016 £'000	30 June 2015 £'000
Profit before tax	10,580	50,124
Adjustments for:		
Depreciation charge	-	47,717
Finance lease income	(25,921)	-
Finance expense	15,283	31,959
Profit on disposal of property, plant and equipment	-	(24,005)
Operating cash flow before changes in working capital	(58)	105,795
Decrease in trade and other receivables	107	94
(Decrease)/increase in trade and other payables	(3,631)	7,719
Decrease in finance lease receivable	1,572,460	-
Increase in deferred revenue	-	19,656
Net cash generated by operating activities	1,568,878	133,264
Investing activities		
Acquisition of property, plant and equipment	-	(11,301)
Proceeds on disposal of property, plant and equipment	-	47,138
Net cash generated by investing activities	-	35,837
Financing activities		
Movement in working capital loan with Eversholt Rail (UK) Limited	(1,579,516)	(88,142)
Finance lease income received	25,921	-
Finance expenses paid	(15,283)	(31,959)
Dividends paid	-	(49,000)
Net cash utilised in financing activities	(1,568,878)	(169,101)
Net movement 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

as at 30 June 2016

	Called up share capital £'000	Capital contribution £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance at 1 January 2015	50,000	-	14,235	64,235
Profit for the year	-	-	513,063	513,063
Dividend paid	-	-	(49,000)	(49,000)
Balance at 31 December 2015	<u>50,000</u>	<u>-</u>	<u>478,298</u>	<u>528,298</u>

	Called up share capital £'000	Capital contribution £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance at 1 January 2016	50,000	-	478,298	528,298
Profit for the period	-	-	8,464	8,464
Balance at 30 June 2016	<u>50,000</u>	<u>-</u>	<u>486,762</u>	<u>536,762</u>

Unaudited

Notes to the condensed interim financial statements

for the 6 months ended 30 June 2016

1 General information

European Rail Finance Limited (the "Company") is a company incorporated and domiciled in the Republic of Ireland under the Companies Act.

On 31 December 2015 the place of central management and control was transferred to the UK. As a result of this transfer, the Company became tax resident in the UK on 31 December 2015. Thereafter, the Company entered a finance lease arrangement to lease its rolling stock assets to another group undertaking, European Rail Finance (GB) Limited.

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 European Rail Finance 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 2015. 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 2015.

2.2 Going concern

The Company's forecasts and projections taking account of reasonably possible changes in trading performance show that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Directors continue to adopt the going concern basis in preparing 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 2015.

4 Operating lease income

	6 months ended	
	30 June 2016 £'000	30 June 2015 £'000
Rentals receivable from third parties	-	65,977
Rentals receivable from European Rail Finance (GB) Limited	-	49,225
	<u>-</u>	<u>115,202</u>

5 Cost of sales

	6 months ended	
	30 June 2016 £'000	30 June 2015 £'000
Depreciation	-	47,717
Maintenance cost	-	34
	<u>-</u>	<u>47,751</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2016

6 Finance lease income

	6 months ended	
	30 June 2016	30 June 2015
	£'000	£'000
Interest income on finance lease with European Rail Finance (GB) Limited	25,921	-

7 Finance expenses

	6 months ended	
	30 June 2016	30 June 2015
	£'000	£'000
Interest payable to Eversholt Rail (UK) Limited	15,283	30,544
Finance charges payable to Eversholt Funding plc	-	744
Other interest	-	671
	<u>15,283</u>	<u>31,959</u>

8 Administrative expenses

Administrative expenses include the following:

	6 months ended	
	30 June 2016	30 June 2015
	£'000	£'000
Management fee payable to Eversholt Rail (UK) Limited	50	6,103
Audit fees	13	9

The Company has no employees and hence no staff costs (6 months ended 30 June 2015: nil).

9 Discontinued operations

On 31 December 2015, the Company entered into a finance lease arrangement with another group undertaking, European Rail Finance (GB) Limited ("lessee"), to lease its rolling stock assets at a market value of £1,572,459,900. Consequently the Company recognised a finance lease receivable in its books of £1,572,459,900, calculated by discounting future lease rental receivables, and derecognised corresponding rolling stock assets. The finance lease arrangement is in place for the duration of the useful economic lives of the rolling stock assets. During the period the rental obligations under the finance lease were prepaid by European Rail Finance (GB) Limited.

10 Property, plant and equipment

	Rolling stock and other railway assets £'000
Cost	
Balance at 1 January 2015	1,946,799
Additions	32,426
Disposals	(38,687)
Disposals to other group undertaking	(1,940,538)
Balance at 31 December 2015 and 30 June 2016	<u>-</u>
Depreciation	
Balance at 1 January 2015	745,851
Charge for the year	76,869
Depreciation on disposals	(14,402)
Depreciation on disposals to other group undertaking	(808,318)
Balance at 31 December 2015 and 30 June 2016	<u>-</u>
Carrying value at 30 June 2016	<u>-</u>
Carrying value at 31 December 2015	<u>-</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2016

11 Loan Receivable

	30 June 2016 £'000	31 December 2015 £'000
Non-current		
Eversholt Rail (UK) Limited	<u>591,278</u>	<u>-</u>

The intragroup working capital loan to Eversholt Rail UK Limited is classified as non-current as it is repayable on 4 November 2018 (2015: repayable in 2018). See note 14 for further details.

12 Trade and other receivables

	30 June 2016 £'000	31 December 2015 £'000
Non-current		
Trade receivables	<u>14</u>	<u>121</u>

13 Trade and other payables

	30 June 2016 £'000	31 December 2015 £'000
Trade and other payables	7	111
Accruals	<u>3,113</u>	<u>6,640</u>
	<u>3,120</u>	<u>6,751</u>

14 Borrowings

	30 June 2016 £'000	31 December 2015 £'000
Non-current		
Eversholt Rail (UK) Limited	<u>-</u>	<u>988,238</u>

The intragroup working capital loan to Eversholt Rail UK Limited is classified as non-current as it is repayable on 4 November 2018 (2015: repayable in 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 (2015: Group's senior debt plus margin).

Following the prepayment of the finance lease receivable from European Rail Finance (GB) Limited on 1 April 2016, the loan with Eversholt Rail (UK) Limited was prepaid. The Company has lent surplus funds to Eversholt Rail (UK) Limited, resulting in a loan receivable as at 30 June 2016. See notes 9 and 11 for more details.

15 Related party transactions

The Company has entered into the following transactions with related parties during the period:

The Company has loans with related parties, more fully described in notes 11 and 14. Interest on the loans is more fully described in note 7.

A management fee of £50,000 is payable to Eversholt Rail (UK) Limited for the period. (6 months ended 30 June 2015: £6,102,951). A management fee of £5,000 is payable to Eversholt Investment Limited (30 June 2015: £30,000).

For the period ended 30 June 2016 no dividends were paid to European Rail Finance (2) Limited (6 months ended 30 June 2015: £49,000,000).

16 Contingent liabilities

There were no contingent liabilities for the Company at 30 June 2016.

17 Subsequent events

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