

# **European Rail Finance Limited**

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

**Registered No: IR443563**

Unaudited

**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<br>£ | 30 June 2012<br>£ |
| <b>Revenue</b>               |       |                   |                   |
| Operating lease income       | 4     | 113,325,318       | 111,538,205       |
| Cost of sales                | 5     | (57,136,785)      | (59,153,816)      |
| <b>Gross profit</b>          |       | <b>56,188,533</b> | <b>52,384,389</b> |
| Finance income               | 6     | 2,639,514         | 1,115,381         |
| Finance expense              | 7     | (36,744,444)      | (37,107,988)      |
| Administrative expenses      | 8     | (4,689,156)       | (5,012,915)       |
| <b>Profit before tax</b>     |       | <b>17,394,447</b> | <b>11,378,867</b> |
| Taxation charge              |       | (2,231,563)       | (1,422,358)       |
| <b>Profit for the period</b> |       | <b>15,162,884</b> | <b>9,956,509</b>  |


There were no discontinued or discontinuing operations during the period.

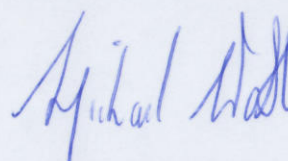
The notes on pages 6 to 10 form an integral part of these financial statements.

**Condensed statement of comprehensive income**  
for the 6 months ended 30 June 2013

|  | Note | 6 months ended    |                   |
|--|------|-------------------|-------------------|
|  |      | 30 June 2013<br>£ | 30 June 2012<br>£ |
| Profit for the period                            |      | 15,162,884        | 9,956,509         |
| Dividend paid                                    | 17   | (15,000,000)      | -                 |
| <b>Total comprehensive income for the period</b> |      | <b>162,884</b>    | <b>9,956,509</b>  |

The financial statements were approved by the board of directors and authorised for issue on 28 August 2013. They were signed on its behalf by:

  
**C Cullen**  
Director

  
**M Walsh**  
Director

Company registration number: IR443563

**Condensed statement of financial position**  
as at 30 June 2013

|                                     | <i>Notes</i> | 30 June<br>2013<br>£        | 31 December<br>2012<br>£    |
|-------------------------------------|--------------|-----------------------------|-----------------------------|
| <b>Assets</b>                       |              |                             |                             |
| <b>Non-current assets</b>           |              |                             |                             |
| Property, plant and equipment       | 9            | <u>1,328,787,598</u>        | <u>1,376,096,330</u>        |
| <b>Current assets</b>               |              |                             |                             |
| Trade and other receivables         | 10           | 10,186,481                  | 9,686,390                   |
| Loan receivable                     | 11           | 221,353,141                 | 212,171,788                 |
| Cash and cash equivalents           |              | <u>5,404,210</u>            | <u>52,402</u>               |
|                                     |              | <u>236,943,832</u>          | <u>221,910,580</u>          |
| <b>Total assets</b>                 |              | <u><b>1,565,731,430</b></u> | <u><b>1,598,006,910</b></u> |
| <b>Liabilities and equity</b>       |              |                             |                             |
| <b>Current liabilities</b>          |              |                             |                             |
| Trade and other payables            | 12           | 8,119,134                   | 3,721,047                   |
| Deferred Revenue                    | 15           | <u>5,798,476</u>            | <u>3,850,895</u>            |
|                                     |              | <u>13,917,610</u>           | <u>7,571,942</u>            |
| <b>Non-current liabilities</b>      |              |                             |                             |
| Borrowings                          | 13           | 1,185,037,255               | 1,237,460,148               |
| Deferred tax                        | 14           | 22,072,555                  | 19,840,992                  |
| Deferred revenue                    | 15           | <u>36,244,189</u>           | <u>24,836,891</u>           |
|                                     |              | <u>1,243,353,999</u>        | <u>1,282,138,031</u>        |
| <b>Total liabilities</b>            |              | <u><b>1,257,271,609</b></u> | <u><b>1,289,709,973</b></u> |
| <b>Equity</b>                       |              |                             |                             |
| Share capital                       |              | 50,000,001                  | 50,000,001                  |
| Capital contribution                |              | 100,000,000                 | 100,000,000                 |
| Retained earnings                   |              | <u>158,459,820</u>          | <u>158,296,936</u>          |
| <b>Total equity</b>                 |              | <u><b>308,459,821</b></u>   | <u><b>308,296,937</b></u>   |
| <b>Total equity and liabilities</b> |              | <u><b>1,565,731,430</b></u> | <u><b>1,598,006,910</b></u> |

The notes on pages 6 to 10 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 28 August 2013. They were signed on its behalf by:

  
**C Cullen**  
Director

  
**M Walsh**  
Director

Company registration number: IR443563

**Condensed statement of cash flows**

for the 6 months ended 30 June 2013

|  | 6 months ended      |                     |
|--|---------------------|---------------------|
|  | 30 June 2013        | 30 June 2012        |
|  | £                   | £                   |
| <b>Profit before tax</b>                                       | <b>17,394,447</b>   | <b>11,378,867</b>   |
| Adjustments for:   |                     |                     |
| Depreciation charge  | 50,309,376          | 53,880,418          |
| <b>Operating cash flows before movement in working capital</b> | <b>67,703,823</b>   | <b>65,259,285</b>   |
| - Increase in trade and other receivables                      | (500,091)           | (10,483,767)        |
| - Increase in trade and other payables                         | 4,398,087           | 2,690,070           |
| - Increase/(decrease) in deferred revenue                      | 13,354,879          | (2,128,361)         |
| <b>Net cash flow generated by operating activities</b>         | <b>84,956,698</b>   | <b>55,337,227</b>   |
| <b>Investing activities</b>                                    |                     |                     |
| Acquisition of property, plant and equipment                   | (3,000,644)         | (10,406,538)        |
| <b>Net cash utilised in investing activities</b>               | <b>(3,000,644)</b>  | <b>(10,406,538)</b> |
| <b>Financing activities</b>                                    |                     |                     |
| Loan payment received  | -                   | 85,960,000          |
| Movement in working capital loan account                       | (9,181,353)         | (130,889,046)       |
| Loan repaid  | (52,422,893)        | -                   |
| Dividends paid   | (15,000,000)        | -                   |
| <b>Net cash utilised in financing activities</b>               | <b>(76,604,246)</b> | <b>(44,929,046)</b> |
| <b>Net increase in cash and cash equivalents</b>               | <b>5,351,808</b>    | <b>1,643</b>        |
| Cash and cash equivalents at beginning of the period           | 52,402              | 21,183              |
| <b>Cash and cash equivalents at the end of the period</b>      | <b>5,404,210</b>    | <b>22,826</b>       |

**Condensed statement of changes in equity**

as at 30 June 2013

|                                    | Called up<br>share capital<br>£ | Capital<br>contribution<br>£ | Retained<br>earnings<br>£ | Total<br>shareholders'<br>equity<br>£ |
|------------------------------------|---------------------------------|------------------------------|---------------------------|---------------------------------------|
| <b>At 1 January 2012</b>           | 50,000,001                      | 100,000,000                  | 147,280,859               | 297,280,860                           |
| Profit for the period              | -                               | -                            | 9,956,509                 | 9,956,509                             |
| <b>Balance at 30 June 2012</b>     | 50,000,001                      | 100,000,000                  | 157,237,368               | 307,237,369                           |
| Profit for the period              | -                               | -                            | 13,559,568                | 13,559,568                            |
| Dividend paid                      | -                               | -                            | (12,500,000)              | (12,500,000)                          |
| <b>Balance at 31 December 2012</b> | 50,000,001                      | 100,000,000                  | 158,296,936               | 308,296,937                           |

|                                  | Called up<br>share capital<br>£ | Capital<br>contribution<br>£ | Retained<br>earnings<br>£ | Total<br>shareholders'<br>equity<br>£ |
|----------------------------------|---------------------------------|------------------------------|---------------------------|---------------------------------------|
| <b>Balance at 1 January 2013</b> | 50,000,001                      | 100,000,000                  | 158,296,936               | 308,296,937                           |
| Profit for the period            | -                               | -                            | 15,162,884                | 15,162,884                            |
| Dividend paid                    | -                               | -                            | (15,000,000)              | (15,000,000)                          |
| <b>Balance at 30 June 2013</b>   | 50,000,001                      | 100,000,000                  | 158,459,820               | 308,459,821                           |

Unaudited

## Notes to the condensed interim financial statements

for the 6 months ended 30 June 2013

### 1 General information

European Rail Finance Limited is a company incorporated in the Republic of Ireland under the Companies Act. The registered office of the Company is Harcourt Centre, Harcourt Road, Dublin 2.

### 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 and is the functional currency of the Company.

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

### 4 Operating lease income

|  | 6 months ended     |                    |
|--|--------------------|--------------------|
|  | 30 June 2013       | 30 June 2012       |
|  | £                  | £                  |
| Rentals receivable from third parties                      | 60,499,544         | 56,712,729         |
| Rentals receivable from European Rail Finance (GB) Limited | 52,825,774         | 54,825,476         |
|  | <u>113,325,318</u> | <u>111,538,205</u> |

### 5 Cost of sales

|                  | 6 months ended      |                     |
|------------------|---------------------|---------------------|
|                  | 30 June 2013        | 30 June 2012        |
|                  | £                   | £                   |
| Depreciation     | (50,309,376)        | (53,880,418)        |
| Maintenance cost | (6,827,409)         | (5,273,398)         |
|                  | <u>(57,136,785)</u> | <u>(59,153,816)</u> |

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

for the 6 months ended 30 June 2013

**6 Finance income**

|  | 6 months ended   |                  |
|--|------------------|------------------|
|  | 30 June 2013     | 30 June 2012     |
|  | £                | £                |
| Interest receivable from Eversholt Rail (UK) Limited | <u>2,639,514</u> | <u>1,115,381</u> |

**7 Finance expense**

|  | 6 months ended      |                     |
|--|---------------------|---------------------|
|  | 30 June 2013        | 30 June 2012        |
|  | £                   | £                   |
| Interest payable to Eversholt Funding plc        | (34,281,729)        | (35,656,516)        |
| Finance charges payable to Eversholt Funding plc | (1,925,183)         | (1,098,158)         |
| Other interest                                   | (537,532)           | (353,314)           |
|  | <u>(36,744,444)</u> | <u>(37,107,988)</u> |

**8 Administrative expense**

Administrative expenses include the following:

|   | 6 months ended |              |
|---|----------------|--------------|
|   | 30 June 2013   | 30 June 2012 |
|   | £              | £            |
| Management fee payable to Eversholt Rail (UK) Limited | 4,670,000      | 5,000,000    |
| Audit fees  | 8,214          | 8,929        |
| Foreign exchange (loss)/gain                          | (2,530)        | 938          |

The Company has no employees and hence no staff costs (2012:£nil). Certain directors have been paid by another group undertaking. No specific charge has been made to the Company in this regard.

**9 Property, plant and equipment**

|                                       | Rolling stock<br>£          |
|---------------------------------------|-----------------------------|
| <b>Cost</b>                           |                             |
| Balance at 1 January 2012             | 1,911,708,091               |
| Additions                             | 15,193,875                  |
| Disposals                             | (1,589,529)                 |
| Balance at 31 December 2012           | <u>1,925,312,437</u>        |
| Additions                             | 3,000,644                   |
| <b>Balance at 30 June 2013</b>        | <u><b>1,928,313,081</b></u> |
| <b>Depreciation</b>                   |                             |
| Balance at 1 January 2012             | 443,468,775                 |
| Charge for the year                   | 106,282,283                 |
| Disposal depreciation                 | (534,951)                   |
| Balance at 31 December 2012           | <u>549,216,107</u>          |
| Charge for the period                 | 50,309,376                  |
| <b>Balance at 30 June 2013</b>        | <u><b>599,525,483</b></u>   |
| <b>Carrying value at 30 June 2013</b> | <u><b>1,328,787,598</b></u> |
| Carrying value at 31 December 2012    | <u>1,376,096,330</u>        |



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

for the 6 months ended 30 June 2013

**10 Trade and other receivables**

|  | 30 June<br>2013<br>£ | 31 December<br>2012<br>£ |
|--|----------------------|--------------------------|
| <b>Receivables no later than one year:</b> |                      |                          |
| Trade receivables                          | 3,959,814            | 4,017,869                |
| Prepayments                                | 6,226,667            | 2,216,667                |
| Intercompany                               | -                    | 3,451,854                |
|  | <u>10,186,481</u>    | <u>9,686,390</u>         |

**11 Loan receivable**

|                             | 30 June<br>2013<br>£ | 31 December<br>2012<br>£ |
|-----------------------------|----------------------|--------------------------|
| Eversholt Rail (UK) Limited | <u>221,353,141</u>   | <u>212,171,788</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: one month's GBP Libor plus 1.75%).

**12 Trade and other payables**

|                                 | 30 June<br>2013<br>£ | 31 December<br>2012<br>£ |
|---------------------------------|----------------------|--------------------------|
| Advance rental payment received | 6,900,831            | 3,429,746                |
| Trade payables                  | 1,205,250            | -                        |
| Accruals                        | 13,053               | 291,301                  |
|                                 | <u>8,119,134</u>     | <u>3,721,047</u>         |

**13 Borrowings**

|                         | Current<br>£ | Non-current<br>£     | Total<br>£           |
|-------------------------|--------------|----------------------|----------------------|
| <b>30 June 2013</b>     |              |                      |                      |
| Eversholt Funding plc   | -            | <u>1,185,037,255</u> | <u>1,185,037,255</u> |
| <b>31 December 2012</b> |              |                      |                      |
| Eversholt Funding plc   | -            | <u>1,237,460,148</u> | <u>1,237,460,148</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).

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

for the 6 months ended 30 June 2013

**14 Deferred tax**

|                        | 30 June<br>2013   | 31 December<br>2012 |
|------------------------|-------------------|---------------------|
|                        | £                 | £                   |
| Deferred tax liability | <u>22,072,555</u> | <u>19,840,992</u>   |

Temporary differences relate principally to accelerated capital allowances and depreciation.

Deferred tax has been calculated at 12.5% being the rate in force at 30 June 2013 (6 months ended 30 June 2012: 12.5%).

**15 Deferred revenue**

|                    | 30 June<br>2013   | 31 December<br>2012 |
|--------------------|-------------------|---------------------|
|                    | £                 | £                   |
| <b>Current</b>     | <u>5,798,476</u>  | <u>3,850,895</u>    |
| <b>Non-current</b> | <u>36,244,189</u> | <u>24,836,891</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.

**16 Capital commitments**

In respect of capital expenditure:

|                           | 30 June<br>2013  | 31 December<br>2012 |
|---------------------------|------------------|---------------------|
|                           | £                | £                   |
| Authorised and contracted | <u>6,975,000</u> | <u>3,988,000</u>    |

**17 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 13. Interest on the loans is more fully described in notes 6 and 7.

The Company has operating lease income with related parties, more fully described in note 4.

A management fee of £9,340,000 has been paid to Eversholt Rail (UK) Ltd for the period. (6 months ended 30 June 2012: £10,000,000)

Trade receivables includes a prepayment for management services of £6,226,667 to Eversholt Rail (UK) Limited. (year ended 31 December 2012: £2,216,667)

Cost of sales includes a payment of £4,266,318 paid to Eversholt Rail (UK) Ltd in respect of the procurement of maintenance services. (6 months ended 30 June 2012: £3,718,014)

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

for the 6 months ended 30 June 2013

**17 Related-party transactions (continued)**

For the period ended 30 June 2013 a total dividend of £15,000,000 was paid to European Rail Finance (2) Limited (6 months ended 30 June 2012: nil). The total dividend of £15,000,000 consists of two dividend payments, £8,000,000 and £7,000,000 paid 7 May 2013 and 30 June 2013 respectively.

**18 Contingent liabilities**

There were no contingent liabilities for the Company at 30 June 2013.

**19 Subsequent events**

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

Unaudited