

# **European Rail Finance Limited**

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

**Registered No: IR443563**

**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


|   | Notes | 6 months<br>ended<br>30 June 2012<br>£ | 6 months<br>ended<br>30 June 2011<br>£ |
|---|-------|--|--|
| <b>Revenue</b>                                      |       |  |  |
| Operating lease income                              | 4     | 111,538,205                            | 103,679,708                            |
| Other income  |       | -                                      | 438,505                                |
| Cost of sales                                       | 5     | (59,153,816)                           | (51,360,957)                           |
| <b>Gross profit</b>                                 |       | 52,384,389                             | 52,757,256                             |
| <b>Finance income/(expense)</b>                     |       |  |  |
| Finance income                                      | 6     | 1,115,381                              | 324,009                                |
| Finance expense                                     | 7     | (37,107,988)                           | (45,691,402)                           |
|   |       | 16,391,782                             | 7,389,863                              |
| Administrative expenses                             | 8     | (5,012,915)                            | (5,125,394)                            |
| Profit on disposal of property, plant and equipment |       | -                                      | 806,382                                |
| Profit before tax                                   |       | 11,378,867                             | 3,070,851                              |
| Taxation  |       | (1,422,358)                            | (383,856)                              |
| <b>Profit for the period</b>                        |       | <u>9,956,509</u>                       | <u>2,686,995</u>                       |

There were no discontinued or discontinuing operations during the period.

**Statement of comprehensive income**  
for the 6 months ended 30 June 2012

|  |                  |                  |
|--|------------------|------------------|
| Profit for the period                            | 9,956,509        | 2,686,995        |
| Ordinary dividend paid                           | -                | (1,300,000)      |
| <b>Total comprehensive income for the period</b> | <u>9,956,509</u> | <u>1,386,995</u> |

The financial statements were approved by the board of directors and authorised for issue on 29 August 2012. 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 2012

|                                | Notes | 30 June<br>2012<br>£ | 31 December<br>2011<br>£ |
|--------------------------------|-------|----------------------|--------------------------|
| <b>Assets</b>                  |       |                      |                          |
| <b>Non-current assets</b>      |       |                      |                          |
| Property, plant and equipment  | 9     | 1,424,765,436        | 1,468,239,316            |
| <b>Current assets</b>          |       |                      |                          |
| Loans receivable               | 10    | 197,487,750          | 152,558,703              |
| Trade and other receivables    | 11    | 19,016,432           | 8,532,665                |
| Cash and cash equivalents      | 14    | 22,826               | 21,183                   |
|                                |       | <u>216,527,008</u>   | <u>161,112,551</u>       |
| Total assets                   |       | <u>1,641,292,444</u> | <u>1,629,351,867</u>     |
| <b>Liabilities and equity</b>  |       |                      |                          |
| <b>Current liabilities</b>     |       |                      |                          |
| Trade and other payables       |       | 6,176,503            | 3,486,432                |
| Borrowings                     | 12    | <u>367,905,820</u>   | <u>367,905,820</u>       |
|                                |       | <u>374,082,323</u>   | <u>371,392,252</u>       |
| <b>Non-current liabilities</b> |       |                      |                          |
| Borrowings                     | 12    | 915,320,345          | 915,320,345              |
| Deferred tax                   | 13    | 17,903,910           | 16,481,552               |
| Deferred revenue               |       | 26,748,497           | 28,876,858               |
|                                |       | <u>959,972,752</u>   | <u>960,678,755</u>       |
| Total liabilities              |       | <u>1,334,055,075</u> | <u>1,332,071,007</u>     |
| <b>Equity</b>                  |       |                      |                          |
| Share capital                  |       | 50,000,001           | 50,000,001               |
| Capital contribution           |       | 100,000,000          | 100,000,000              |
| Retained earnings              |       | 157,237,368          | 147,280,859              |
| Total equity                   |       | <u>307,237,369</u>   | <u>297,280,860</u>       |
| Total equity and liabilities   |       | <u>1,641,292,444</u> | <u>1,629,351,867</u>     |

The financial statements were approved by the board of directors and authorised for issue on 29 August 2012. 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 2012

|   | <i>Note</i> | <b>6 months<br/>ended<br/>30 June 2012<br/>£</b> | <b>6 months<br/>ended<br/>30 June 2011<br/>£</b> |
|---|-------------|--|--|
| <b>Net cash flow generated by operating activities</b>    | <b>15</b>   | <u>55,337,227</u>                                | <u>47,983,018</u>                                |
| <b>Investing activities</b>                               |             |  |  |
| Acquisition of property, plant and equipment              |             | (10,406,538)                                     | (9,107,869)                                      |
| Proceeds on disposal of property, plant and equipment     |             | -  | 4,776,000  |
| <b>Net cash utilised in investing activities</b>          |             | <u>(10,406,538)</u>                              | <u>(4,331,869)</u>                               |
| <b>Financing activities</b>                               |             |  |  |
| Loans with European Rail Finance Holdings Ltd             |             | 85,960,000                                       | -  |
| Repaid movements in working capital loan                  |             | (130,889,046)                                    | (44,914,619)                                     |
| Paid to parent company in respect of financing activities |             | -  | (84,312)   |
| Dividends paid  |             | -  | (1,300,000)                                      |
| <b>Net cash utilised in financing activities</b>          |             | <u>(44,929,046)</u>                              | <u>(46,298,931)</u>                              |
| Net decrease in cash and cash equivalents                 |             | 1,643  | (2,647,782)                                      |
| Cash and cash equivalents at beginning of the period      |             | 21,183   | 2,648,509  |
| Cash and cash equivalents at the end of the period        |             | <u>22,826</u>                                    | <u>727</u>                                       |

**Condensed statement of changes in equity**

as at 30 June 2012

|                                | <b>Called up<br/>share capital<br/>£</b> | <b>Capital<br/>contribution<br/>£</b> | <b>Retained<br/>earnings<br/>£</b> | <b>Total<br/>shareholders'<br/>equity<br/>£</b> |
|--------------------------------|--|---------------------------------------|------------------------------------|---|
| <b>At 1 January 2011</b>       | 50,000,001                               | 100,000,000                           | 137,866,415                        | 287,866,416                                     |
| Profit for the period          | -  | -                                     | 2,686,995                          | 2,686,995                                       |
| Dividends to shareholders      | -  | -                                     | (1,300,000)                        | (1,300,000)                                     |
| <b>Balance at 30 June 2011</b> | <u>50,000,001</u>                        | <u>100,000,000</u>                    | <u>139,253,410</u>                 | <u>289,253,411</u>                              |

|                                  | <b>Called up<br/>share capital<br/>£</b> | <b>Capital<br/>contribution<br/>£</b> | <b>Retained<br/>earnings<br/>£</b> | <b>Total<br/>shareholders'<br/>equity<br/>£</b> |
|----------------------------------|--|---------------------------------------|------------------------------------|---|
| <b>Balance 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>   | <u>50,000,001</u>                        | <u>100,000,000</u>                    | <u>157,237,368</u>                 | <u>307,237,369</u>                              |

**Notes to the condensed interim financial statements**

for the 6 months ended 30 June 2012

**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 the Company 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 and should be read in conjunction with the financial statements for the year ended 31 December 2011.

**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 Operating lease income**

|  | <b>6 months<br/>ended<br/>30 June 2012<br/>£</b> | <b>6 months<br/>ended<br/>30 June 2011<br/>£</b> |
|--|--|--|
| Rentals receivable from third parties                      | 56,712,729                                       | 40,448,999                                       |
| Rentals receivable from European Rail Finance (GB) Limited | 54,825,476                                       | 63,230,709                                       |
|  | <u>111,538,205</u>                               | <u>103,679,708</u>                               |

**5 Cost of sales**

|                  | <b>6 months<br/>ended<br/>30 June 2012<br/>£</b> | <b>6 months<br/>ended<br/>30 June 2011<br/>£</b> |
|------------------|--|--|
| Depreciation     | (53,880,418)                                     | (51,360,957)                                     |
| Maintenance cost | (5,273,398)                                      | -  |
|                  | <u>(59,153,816)</u>                              | <u>(51,360,957)</u>                              |

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

for the 6 months ended 30 June 2012

**6 Finance income**

|   | 6 months<br>ended<br>30 June 2012<br>£ | 6 months<br>ended<br>30 June 2011<br>£ |
|---|--|--|
| Interest receivable from European Rail Finance Holdings Limited | -                                      | 324,009                                |
| Interest receivable from Eversholt Rail (UK) Limited            | 1,115,381                              | -                                      |
|   | <u>1,115,381</u>                       | <u>324,009</u>                         |

**7 Finance expense**

|  | 6 months<br>ended<br>30 June 2012<br>£ | 6 months<br>ended<br>30 June 2011<br>£ |
|--|--|--|
| Finance expense payable to<br>European Rail Finance Holdings Ltd | -                                      | (324,009)                              |
| Finance expenses payable to Eversholt Funding plc                | (36,754,674)                           | (44,785,313)                           |
| Finance expenses payable to Eversholt Rail (UK) Limited          | -                                      | (270,973)                              |
| Other interest   | (353,314)                              | (311,107)                              |
|  | <u>(37,107,988)</u>                    | <u>(45,691,402)</u>                    |

**8 Administrative expense**

Administrative expenses include the following:

|   | 6 months<br>ended<br>30 June 2012<br>£ | 6 months<br>ended<br>30 June 2011<br>£ |
|---|--|--|
| Management fee payable to Eversholt Rail (UK) Limited | 5,000,000                              | 5,000,000                              |
| Auditor's remuneration<br>- 2012 audit                | 8,929                                  | -                                      |
| Foreign exchange gain/(loss)                          | 938                                    | (2,729)                                |

The Company has no employees and hence no staff costs (2011:£nil). No other fees were paid to the auditor. Certain directors have been paid by another group undertaking. No specific charge has been made to the Company in this regard.



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

for the 6 months ended 30 June 2012

**9 Property, plant and equipment**

|                                       | <b>Rolling stock<br/>£</b>  |
|---------------------------------------|-----------------------------|
| <b>Cost</b>                           |                             |
| Balance at 1 January 2011             | 1,897,372,112               |
| Additions                             | 24,576,799                  |
| Disposals                             | (10,240,820)                |
| Balance at 31 December 2011           | 1,911,708,091               |
| Additions                             | 10,406,538                  |
| <b>Balance at 30 June 2012</b>        | <b><u>1,922,114,629</u></b> |
| <b>Depreciation</b>                   |                             |
| Balance at 1 January 2011             | 340,479,054                 |
| Charge for the year                   | 104,390,187                 |
| Disposal depreciation                 | (1,400,466)                 |
| Balance at 31 December 2011           | 443,468,775                 |
| Charge for the period                 | 53,880,418                  |
| <b>Balance at 30 June 2012</b>        | <b><u>497,349,193</u></b>   |
| <b>Carrying value at 30 June 2012</b> | <b><u>1,424,765,436</u></b> |
| Carrying value at 31 December 2011    | <u>1,468,239,316</u>        |

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 £579,627. Going forward, the annual depreciation charge has been reduced by £1,159,254 as a result of this change in estimate.

**10 Loans receivable**

|  | <b>30 June 2012<br/>£</b> | <b>31 December<br/>2011<br/>£</b> |
|--|---------------------------|-----------------------------------|
| European Rail Finance Holdings Limited | -                         | 85,960,000                        |
| Eversholt Rail (UK) Limited            | 197,487,750               | 66,598,703                        |
|  | <u>197,487,750</u>        | <u>152,558,703</u>                |

**11 Trade and other receivables**

|                                    | <b>30 June 2012<br/>£</b> | <b>31 December<br/>2011<br/>£</b> |
|------------------------------------|---------------------------|-----------------------------------|
| Receivable no later than one year: |                           |                                   |
| Trade receivables                  | 12,349,765                | 6,865,998                         |
| Prepayments                        | 6,666,667                 | 1,666,667                         |
|                                    | <u>19,016,432</u>         | <u>8,532,665</u>                  |

**12 Borrowings**

|                         | <b>Current<br/>£</b> | <b>Non-current<br/>£</b> | <b>Total<br/>£</b> |
|-------------------------|----------------------|--------------------------|--------------------|
| <b>30 June 2012</b>     |                      |                          |                    |
| Eversholt Funding plc   | 367,905,820          | 915,320,345              | 1,283,226,165      |
| <b>31 December 2011</b> |                      |                          |                    |
| Eversholt Funding plc   | 367,905,820          | 915,320,345              | 1,283,226,165      |

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

for the 6 months ended 30 June 2012

**13 Deferred tax**

Leasing transactions temporary differences:

|   | <b>30 June<br/>2012</b> | <b>31 December<br/>2011</b> |
|---|-------------------------|-----------------------------|
|   | <b>£</b>                | <b>£</b>                    |
| Balance at the beginning of the period/year | 16,481,552              | 14,872,345                  |
| Income statement charge                     | 1,422,358               | 1,609,207                   |
| Balance at the end of the year              | <u>17,903,910</u>       | <u>16,481,552</u>           |

Leasing transactions 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 2012 (31 December 2011:12.5%)

**14 Cash and cash equivalents**

|              | <b>30 June 2012</b> | <b>31 December<br/>2011</b> |
|--------------|---------------------|-----------------------------|
|              | <b>£</b>            | <b>£</b>                    |
| Bank account | <u>22,826</u>       | <u>21,183</u>               |

**15 Notes to the cash flow statement**

|  | <b>6 months<br/>ended<br/>30 June 2012</b> | <b>6 months<br/>ended<br/>30 June 2011</b> |
|--|--|--|
|  | <b>£</b>                                   | <b>£</b>                                   |
| Profit before tax  | 11,378,867                                 | 3,070,851                                  |
| Adjustments for:   |  |  |
| Depreciation charge  | 53,880,418                                 | 51,360,957                                 |
| Profit on disposal of property, plant and equipment            | -  | (806,382)                                  |
| <b>Operating cash flows before movement in working capital</b> | <u>65,259,285</u>                          | <u>53,625,426</u>                          |
| - (Increase)/decrease in trade and other receivables           | (10,483,767)                               | (8,668,525)                                |
| - Increase/(decrease) in trade and other payables              | 2,690,070                                  | 920,258                                    |
| - Increase/(decrease) in deferred revenue                      | (2,128,361)                                | 2,021,547                                  |
| - (Increase/decrease in finance lease receivables              |  | 84,312                                     |
| <b>Cash generated by operating activities</b>                  | <u>55,337,227</u>                          | <u>47,983,018</u>                          |

**16 Capital commitments**

In respect of capital expenditure:

|                           | <b>2012</b>       | <b>2011</b>       |
|---------------------------|-------------------|-------------------|
|                           | <b>£</b>          | <b>£</b>          |
| Authorised and contracted | <u>11,064,000</u> | <u>13,588,237</u> |

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

for the 6 months ended 30 June 2012

**17 Related-party transactions**

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

Loans with related parties, refer notes 10 and 12. Finance charges on these loan accounts, refer notes 6 and 7.

A management fee of £5,000,000 has been paid to Eversholt Rail (UK) Ltd for the period. (6 months ended 30 June 2011: £5,000,000)

Trade receivables includes a prepayment for management services of £6,666,667 to Eversholt Rail (UK) Limited. (31 December 2011: £1,666,667)

Cost of sales includes a payment of £3,718,014 paid to Eversholt Rail (UK) Ltd in respect of the procurement of maintenance services. (6 months ended 30 June 2011: nil)

**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.