

European Rail Finance Limited

**Unaudited, condensed interim financial statements
for the 6 months ended 30 June 2015**

Registered No: IR443563

Unaudited

European Rail Finance Limited

Condensed interim financial statements
for the 6 months ended 30 June 2015

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Unaudited

European Rail Finance Limited

Condensed income statement

for the 6 months ended 30 June 2015

		6 months ended	
		30 June 2015	30 June 2014
		£'000	£'000
Revenue			
Operating lease income	4	115,202	106,014
Other income		187	798
Total income		115,389	106,812
Cost of sales	5	(47,751)	(48,178)
Gross profit		67,638	58,634
Finance expense	6	(31,959)	(35,652)
Other expenses		(3,289)	-
Administrative expenses	7	(6,271)	(5,383)
Profit on disposal of property, plant and equipment	8	24,005	-
Profit before tax		50,124	17,599
Taxation		(6,265)	(2,072)
Profit for the period		43,859	15,527

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 2015

There has been no comprehensive income or expense other than the profit for the period as shown above (period ended 30 June 2014: nil)

The financial statements were approved by the board of directors and authorised for issue on 26 August 2015. They were signed on its behalf by:


C. Cullen
Director


M Walsh
Director

Company registration number: IR443563

European Rail Finance Limited

Condensed statement of financial position
as at 30 June 2015

	Notes	30 June 2015 £'000	31 December 2014 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	1,140,247	1,200,948
Current assets			
Trade and other receivables	9	127	221
Total assets		1,140,374	1,201,169
Liabilities and equity			
Current liabilities			
Trade and other payables	10	9,312	1,593
Deferred revenue	11	2,127	5,331
		11,439	6,924
Non-current liabilities			
Borrowings	12	973,353	1,061,495
Deferred tax	13	34,669	28,404
Deferred revenue	11	61,819	40,111
		1,069,841	1,130,010
Total liabilities		1,081,280	1,136,934
Equity			
Share capital		50,000	50,000
Retained earnings		9,094	14,235
Total equity		59,094	64,235
Total equity and liabilities		1,140,374	1,201,169

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 26 August 2015. They were signed on its behalf by:


C. Cullen
Director


M. Walsh
Director

Company registration number: IR443563

European Rail Finance Limited

Condensed statement of cash flows

for the 6 months ended 30 June 2015

	6 months ended	
	30 June 2015 £'000	30 June 2014 £'000
Profit before tax	50,124	17,599
Adjustments for:		
Depreciation charge	47,717	48,158
Finance expense	31,959	35,652
Profit on disposal of property, plant and equipment	(24,005)	-
Operating cash flow before changes in working capital	105,795	101,409
Decrease in trade and other receivables	94	531
Increase in trade and other payables	7,719	9,232
Increase/(decrease) in deferred revenue	19,656	(4,591)
Net cash generated by operating activities	133,264	106,581
Investing activities		
Acquisition of property, plant and equipment	(11,301)	(5,926)
Proceeds on disposal of property, plant and equipment	47,138	-
Net cash utilised in investing activities	35,837	(5,926)
Financing activities		
Loans raised	-	1,088,681
Movement in working capital loan account	-	145,761
Loan repaid	(88,142)	(1,049,445)
Finance expenses paid	(31,959)	(35,652)
Dividends paid	(49,000)	(250,000)
Net cash utilised in financing activities	(169,101)	(100,655)
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 2015

	Called up share capital £'000	Capital contribution £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance at 1 January 2014	50,000	100,000	155,074	305,074
Profit for the year	-	-	31,161	31,161
Dividend paid	-	(100,000)	(172,000)	(272,000)
Balance at 31 December 2014	<u>50,000</u>	<u>-</u>	<u>14,235</u>	<u>64,235</u>

	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 period	-	-	43,859	43,859
Dividend paid	-	-	(49,000)	(49,000)
Balance at 30 June 2015	<u>50,000</u>	<u>-</u>	<u>9,094</u>	<u>59,094</u>

Notes to the condensed interim financial statements
for the 6 months ended 30 June 2015

1 General information

European Rail Finance Limited (the "Company") is a company incorporated in the Republic of Ireland under the Companies Act. The registered office of the Company is Newmount House, 22-24 Mount Street Lower, Dublin 2.

2 Basis of preparation

These financial statements are presented in £'000. In 2015, the financial statements have been converted from £ to £'000. All amounts have been rounded to the nearest thousand, unless otherwise indicated. In the opinion of the Directors, the conversion was required to become clearer to the reader of these financial statements.

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 2014. 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 2014.

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 2014.

4 Operating lease income

	6 months ended	
	30 June 2015	30 June 2014
	£'000	£'000
Rentals receivable from third parties	65,977	56,204
Rentals receivable from European Rail Finance (GB) Limited	49,225	49,810
	<u>115,202</u>	<u>106,014</u>

5 Cost of sales

	6 months ended	
	30 June 2015	30 June 2014
	£'000	£'000
Depreciation	47,717	48,158
Maintenance cost	34	20
	<u>47,751</u>	<u>48,178</u>

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2015

6 Finance expense

	6 months ended	
	30 June 2015	30 June 2014
	£'000	£'000
Interest payable to Eversholt Funding plc	-	5,114
Interest payable to Eversholt Rail (UK) Limited	30,544	27,993
Finance charges payable to Eversholt Funding plc	744	1,945
Other interest	671	600
	<u>31,959</u>	<u>35,652</u>

7 Administrative expense

Administrative expenses include the following:

	6 months ended	
	30 June 2015	30 June 2014
	£'000	£'000
Management fee payable to Eversholt Rail (UK) Limited	6,103	5,339
Audit fees	9	8

The Company has no employees and hence no staff costs (6 months ended 30 June 2014: nil).

8 Property, plant and equipment

	Rolling stock and other railway assets £'000
Cost	
Balance at 1 January 2014	1,933,250
Additions	13,549
Disposals	-
Balance at 31 December 2014	<u>1,946,799</u>
Additions	11,301
Disposals	<u>(38,687)</u>
Balance at 30 June 2015	<u>1,919,413</u>
Depreciation	
Balance at 1 January 2014	648,912
Charge for the year	96,939
Disposal depreciation	-
Balance at 31 December 2014	<u>745,851</u>
Charge for the period	47,717
Disposal depreciation	<u>(14,402)</u>
Balance at 30 June 2015	<u>779,166</u>
Carrying value at 30 June 2015	<u>1,140,247</u>
Carrying value at 31 December 2014	<u>1,200,948</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.

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2015

9 Trade and other receivables

	30 June 2015 £'000	31 December 2014 £'000
Receivables no later than one year:		
Trade receivables	<u>127</u>	<u>221</u>

10 Trade and other payables

	30 June 2015 £'000	31 December 2014 £'000
Trade payables	-	203
Lease rentals received in advance	-	460
Accruals	2,876	629
Intercompany	6,103	-
Sundry creditors	333	301
	<u>9,312</u>	<u>1,593</u>

11 Deferred revenue

	30 June 2015 £'000	31 December 2014 £'000
Current	<u>2,127</u>	<u>5,331</u>
Non-current	<u>61,819</u>	<u>40,111</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.

12 Borrowings

	30 June 2015 £'000	31 December 2014 £'000
Non-current		
Eversholt Rail (UK) Limited	<u>973,353</u>	<u>1,061,495</u>

The intragroup loan with Eversholt Rail UK Limited is classified as non-current as it is repayable on 4 November 2018 (2014: the loans were unsecured and 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 (2014: senior debt plus margin).

Notes to the condensed interim financial statements (continued)

for the 6 months ended 30 June 2015

13 Deferred tax

	30 June 2015 £'000	31 December 2014 £'000
Balance at beginning of the period/year	28,404	23,952
Income statement charge	6,265	4,452
Balance at end of the period/year	34,669	28,404

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 2015 (6 months ended 30 June 2014: 12.5%).

14 Capital commitments

In respect of capital expenditure:

	30 June 2015 £'000	31 December 2014 £'000
Authorised and contracted	149,668	181,172

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 note 12. Interest on the loans is more fully described in note 6.

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

A management fee of £6,102,951 is payable to Eversholt Rail (UK) Limited for the period. (6 months ended 30 June 2014: £5,338,572). A management fee of £30,000 is payable to Eversholt Investment Limited (30 June 2014: £30,000).

Operating lease income includes a payment of £8,585,499 paid to Eversholt Rail (UK) Limited in respect of the procurement of maintenance services. (6 months ended 30 June 2014: £6,129,627).

For the period ended 30 June 2015 a total dividend of £49,000,000 was paid to European Rail Finance (2) Limited on 24 June 2015 (6 months ended 30 June 2014: £250,000,000).

16 Contingent liabilities

There were no contingent liabilities for the Company at 30 June 2015.

17 Subsequent events

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