

Eversholt Funding plc

Annual Financial Statements for the year ended 31 December 2014

Registered No: 7329930

Annual Financial Statements

for the year ended 31 December 2014

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Strategic report

for the year ended 31 December 2014

Business review

Eversholt Funding plc (the "Company") is a company incorporated and domiciled in England and Wales.

The Company forms part of the Eversholt Rail Group ("ERG" or "Group") more fully described in note 19.

During the year the Company has reported a loss, principally due to a negative movement in the fair value of derivative contracts.

The business is funded principally by external funding. In 2014 the terms of intragroup funding arrangements were revised to more closely align with the terms of the Group's external financing. Details are more fully described in note 11.

The Company has no employees.

Risk management

The Company is subject to the risk management objectives and policies of the Group.

These objectives, together with an analysis of the exposure to such risks, are set out in note 17 of the financial statements.

The principal business risks for the Company are market, liquidity and credit risk. The market risk arises from exposure to interest rate fluctuations on the value of and cashflows attributable to borrowings and deposits. The cashflow risk is managed by means of interest rate swaps which, for the current year, have the effect of fixing interest rates on the majority of the debt.

The liquidity risk arises from the Company's obligation to make interest and principal repayments on its debt. The day to day cash flow requirements of the Group are closely monitored.

The credit risk arises from placing cash deposits and entering into derivative contracts with third parties. Credit risk is managed in line with established procedures which consider credit quality of counterparties and concentration of risk.

Performance

The Company's results for the year under review are as detailed in the income statement on page 7.

The key performance indicator used by management in assessing the performance of the Company is the monitoring of actual cashflows in comparison with the planned cashflows. Monthly management accounts are prepared for the Group and reviewed by the Directors.

Signed on behalf of the Board by:



M B Kenny
Director

Registered Office:
210 Pentonville Road
London
N1 9JY

Date: 24 February 2015

Directors' report

for the year ended 31 December 2014

Future developments

No further significant developments are currently anticipated, but the Directors keep opportunities under regular review.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2014 (2013: Nil).

Going concern basis

The financial statements are prepared on the going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions including the financial support that the ultimate parent company has committed to provide. The Directors considered assessment of the Company's key financial ratios, including these attached to banking covenants; no financial covenants are projected to be in breach. The Company is forecasted to make operational profits before fair value loss on derivative financial instruments.

Directors

The Directors who served during the year were as follows:

M B Kenny

A J Course

F I Maroudas

D G Stickland

LDC Securitisation Director No 3 Limited

Resigned 21 March 2014

Appointed 12 November 2014

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions in accordance with the provisions of the Companies Act 2006. Indemnity provisions of this nature have been in place during the financial period but have not been utilised by the Directors. The Directors have no interests in the share capital of the Company, interests in the holding company are more fully described in note 19.

Capital management

The Company is not subject to externally imposed capital requirements and is dependent on the Group to provide the necessary capital resources which are managed on a group basis.

It is the Group's objective to maintain a strong capital base to support the development of its business.

Disclosure of information to the auditor

Each person who is a director at the date of approval of this report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to Section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

Directors' report (continued)
for the year ended 31 December 2014

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Signed on behalf of the Board by:



M B Kenny
Director

Registered Office
210 Pentonville Road
London
N1 9JY

Date: 24 February 2015

Statement of Directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements
for the year ended 31 December 2014

The Directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Company's annual financial statements were approved by the Board of Directors on 24 February 2015 and signed on their behalf by:



M B Kenny
Director

Registered Office
210 Pentonville Road
London
N1 9JY

Independent Auditor's report to the Members of Eversholt Funding plc
for the year ended 31 December 2014

We have audited the financial statements of Eversholt Funding plc for the year ended 31 December 2014 set out on pages 7 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Simon Clark (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

25 February 2015

Income statement

for the year ended 31 December 2014

	<i>Notes</i>	2014 £'000	2013 £'000
Revenue			
Fee Income		15	15
Finance income	4	83,706	85,627
		83,721	85,642
Finance expenses	5	(83,860)	(85,683)
Net fair value (loss)/gain on derivative financial instruments		(48,714)	34,713
		(48,853)	34,672
Administrative expense	6	(45)	(111)
(Loss) / profit before tax		(48,898)	34,561
Income tax credit / (charge)	8	9,782	(9,695)
(Loss) / profit for the year		(39,116)	24,866

There were no discontinued or discontinuing operations during the period.

The notes on pages 11 to 24 form an integrated part of these financial statements.

Statement of comprehensive income

for the year ended 31 December 2014

There has been no comprehensive income or expense other than the loss for the year as shown above (2013: Nil).

Statement of financial position

as at 31 December 2014

	<i>Note</i>	2014 £'000	2013 £'000
Assets			
Non-current assets			
Deferred tax	10	21,449	11,706
Amounts owed by group undertakings	11	1,350,000	1,350,000
		1,371,449	1,361,706
Current assets			
Amounts owed by group undertakings	11	48,174	19,329
Derivative financial instruments	12	-	3
Current tax		8	490
Cash and cash equivalents	13	500	587
		48,682	20,409
Total assets		1,420,131	1,382,115
Liabilities and equity			
Current liabilities			
Trade and other payables	14	40	188
Borrowings	15	46,412	27,323
		46,452	27,511
Non-current liabilities			
Borrowings	15	1,340,327	1,339,720
Amounts owed to group undertakings	11	8,873	-
Derivative financial instruments	12	107,243	58,532
		1,456,443	1,398,252
Total liabilities		1,502,895	1,425,763
Equity			
Share capital	16	50	50
Accumulated deficit		(82,814)	(43,698)
Total equity		(82,764)	(43,648)
Total equity and liabilities		1,420,131	1,382,115

The notes on pages 11 to 24 form an integral part of these financial statements.

The financial statements were approved by the Board of directors and authorised for issue on 24 February 2015. They were signed on its behalf by:



D G Stickland
Director

Company registration number: 7329930

Statement of cash flows

for the year ended 31 December 2014

	<i>Note</i>	2014 £'000	2013 £'000
Cash flow from operating activities			
(Loss) / profit before tax		(48,898)	34,561
Finance expense		83,860	85,683
Finance income		(83,706)	(85,627)
Amortisation of capitalised finance charges		1,967	12,022
Capitalisation of finance charges		(1,217)	(7,408)
Unrealised loss/(profit) on fair value of derivative financial instruments		48,714	(34,713)
Operating cash flow before changes in working capital		720	4,518
Adjustments for:			
Decrease in trade and other receivables		-	1
Decrease in trade and other payables		(148)	(21)
Cash generated by operating activities		572	4,498
Group relief		519	524
Net cash generated by operating activities		1,091	5,022
Cash flow from investing activities			
Amounts repaid by group entities		1,366,000	504,950
Amounts lent to group entities		(1,385,000)	(279,000)
Interest received on intra-group loans		83,671	85,412
Interest received on working capital loan		35	213
Net cash generated by investing activities		64,706	311,575
Cash flow from financing activities			
Movement in working capital loan account		8,873	-
Movement in terminated working capital loan		3,329	(870)
Intercompany accrued interest		(13,174)	-
Realised loss on derivative financial instruments		-	(3,939)
External borrowings repaid		(91,000)	(504,950)
External borrowing raised		110,000	279,000
Interest paid on bonds		(75,214)	(75,193)
Interest paid on bank loans		(2,410)	(6,470)
Interest paid on swaps		(6,773)	(6,405)
Interest received on swaps		672	2,584
Other finance expense		(188)	(271)
Other finance income		1	1
Net cash utilised in financing activities		(65,884)	(316,513)
Net (decrease) / increase in cash and equivalents		(87)	84
Cash and cash equivalents at beginning of the year		587	503
Cash and cash equivalents at the end of year	13	500	587

Statement of changes in equity
for the year ended 31 December 2014

	Called up share capital £'000	Accumulated deficit £'000	Total shareholders' equity £'000
Balance at 1 January 2013	50	(68,564)	(68,514)
Profit for the year	-	24,866	24,866
Balance at 31 December 2013	50	(43,698)	(43,648)
Loss for the year	-	(39,116)	(39,116)
Balance at 31 December 2014	50	(82,814)	(82,764)

Notes to the annual financial statements

for the year ended 31 December 2014

1. General Information

The registered office of the Company is 210 Pentonville Road, London, N1 9JY.

2. Basis of Preparation

These financial statements are presented in £'000. In 2014, 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 Eversholt Funding plc have been prepared on the historical cost basis except for the revaluation of derivative financial instruments. These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU'). EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at this point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2014, there were no unendorsed standards effective for the year ended 31 December 2014 affecting these financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company. Accordingly, the financial statements for the year ended 31 December 2014 are prepared in accordance with IFRSs as issued by the IASB and endorsed by the EU.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

2.2 Standards and Interpretations issued by the IASB

During the year, the Company adopted a number of interpretations and amendments to standards which had an insignificant effect on the financial statements. At 31 December 2014, a number of standards and amendments to standards have been issued by the IASB, which are not effective for the Company's financial statements as at 31 December 2014. The following Adopted IFRSs have been issued but have not been applied by the Company in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

- IFRS 14 Regulatory Deferral Accounts (mandatory for periods beginning on or after 1 January 2016).
- Amendments to IFRS 11 Joint Arrangements (mandatory for periods beginning on or after 1 January 2016).
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (mandatory for periods beginning on or after 1 January 2016).
- Amendments to IAS 27 Consolidated and Separate Financial Statements (2008) (mandatory for periods beginning on or after 1 January 2016).
- IFRS 15 Revenue from Contracts with Customers (mandatory for periods beginning on or after 1 January 2017).
- IFRS 9 Financial Instruments (mandatory for periods beginning on or after 1 January 2018). The impact resulting from the application of this standard is currently being assessed by the Directors.

Notes to the annual financial statements (continued)
for the year ended 31 December 2014

2. Basis of Preparation (continued)

2.3 Going concern

The accumulated losses being greater than the called up share capital gives rise to there being an excess of liabilities over assets. The financial statements have been prepared on the going concern basis because there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

3. Summary of significant accounting policies

The principal accounting policies adopted are set out below and have been applied consistently to all periods presented in these financial statements.

3.1 Finance income and expense

Finance income and expense for all interest bearing financial instruments is recognised in 'Finance income' and 'Finance expense' in the income statement using the effective interest rate method. The effective interest rate method is a way of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability on initial recognition. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses.

The calculation includes all amounts paid or received by the Company that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

3.2 Fees and commission income

Income earned on the execution of a significant act is recognised as revenue when the act is completed. Income earned from the provision of services is recognised as revenue as the services are provided and income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in 'Interest income'.

3.3 Income tax

Income tax comprises current and deferred tax and is recognised in the income statement.

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the end of the reporting period and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the end of the reporting period.

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

3. Summary of significant accounting policies (continued)

3.4 Financial instruments

3.4.1 Financial assets

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' (FVTPL); 'held to maturity investments'; 'available for sale (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

The Company holds the following classes of financial assets.

3.4.1.1 Loans and receivables

Loans and receivables include receivables originated by the Company which are not classified either as held for trading or designated at fair value. Loans and receivables are recognised when cash is advanced to borrowers. They are derecognised when either borrowers repay their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

3.4.1.2 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition, and include cash.

3.4.2 Financial liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'other' financial liabilities.

Financial liabilities are initially measured at fair value less any transaction costs that are directly attributable to the purchase or issue. Financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument. The Company derecognises the financial liability when the obligations specified in the contract expire, are discharged or cancelled. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method.

3.4.3 Impairment of financial assets

Financial assets, other than those at FVTPL are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment losses are calculated on individual loans and on groups of loans assessed collectively. Impairment losses are recorded as charges to the income statement. The carrying amount of impaired loans on the statement of financial position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

Notes to the annual financial statements (continued)
for the year ended 31 December 2014

3. Summary of significant accounting policies (continued)

3.4 Financial instruments (continued)

3.4.3 Impairment of financial assets (continued)

Individually assessed impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate, and comparing the resultant present value with the loan's current carrying amount.

Collectively assessed impairment losses are calculated on the basis of past experience, current economic conditions and other relevant factors to provide for losses not yet specifically identified.

Financial assets are written off to the extent that there is no realistic prospect of recovery.

3.4.4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3.4.5 Derivatives

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate fluctuations.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into. The gain or loss resulting from re-measurements is recognised in profit or loss immediately.

Fair values are obtained from quoted market prices in active markets, or by using valuation techniques, including recent market transactions, where an active market does not exist. Valuation techniques include discounted cash flow models and option pricing models as appropriate. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

3.4.6 Determination of fair value

All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received).

Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets held and offer prices for liabilities issued. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison to similar instruments where market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Fair values are calculated by discounting future cash flows on financial instruments, using equivalent current interest rates.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

3. Summary of significant accounting policies (continued)**3.4 Financial instruments (continued)****3.4.6 Determination of fair value (continued)**

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

3.5 Statement of cash flows

The statement of cash flows has been prepared on the basis that, with the exception of tax related transactions which are classified under 'Operating activities', movements in intercompany transactions are shown under the heading of 'Financing activities'. Such movements arise from the financing of the Eversholt Rail Group for which the Company is the finance provider.

3.6 Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets.

Dividends payable in relation to equity shares are recognised as a liability in the period in which they are declared.

3.7 Use of assumptions and estimates

In the application of the Company's accounting policies, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

The critical judgements and estimates that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements relate to the determination of the fair value of financial instruments. In determining fair values, management has taken into account the contractual cash flows attaching to the instrument and an independently sourced yield curve for the reporting date.

4. Finance income

	2014 £'000	2013 £'000
Interest on intra-group loans	83,671	85,412
Interest on bank deposits/balances	1	2
Interest received from Eversholt Rail (UK) Limited	34	213
	<u>83,706</u>	<u>85,627</u>

5. Finance expenses

	2014 £'000	2013 £'000
Interest payable on bank loans	(2,425)	(6,456)
Interest payable on derivative financial instruments	(6,013)	(3,926)
Interest payable on bonds	(75,233)	(75,030)
Fees payable	(189)	(271)
	<u>(83,860)</u>	<u>(85,683)</u>

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

6. Administrative expense

	2014 £'000	2013 £'000
Administrative expenses include the following:		
Fees payable to the company's auditor for the audit of the company's annual accounts	(10)	(10)
The Company has no employees and hence no staff costs.		

7. Directors' emoluments**Non-executive directors**

	2014 £'000	2013 £'000
Directors' fees	<u>(24)</u>	<u>(23)</u>

The charge for three of the Directors' services has been borne by another group company. The charge for LDC Securitisation Director No. 3 Limited has been borne by the Company and is included in administrative expense.

8. Income tax credit / (charge)

	<i>Note</i>	2014 £'000	2013 £'000
Current tax			
UK Corporation tax on current year (loss)/profit		39	951
Deferred tax			
Origination and reversal of temporary differences	10	9,743	(10,646)
Total income tax credit/(charge)		<u>9,782</u>	<u>(9,695)</u>

The following table reconciles the tax credit which would apply if all losses had been taxed at the UK corporation tax rate:

	2014 £'000	2013 £'000
Taxation at corporation tax rate of 21.5% (2013: 23.25%)	10,513	(8,034)
Change in tax rates	(731)	(1,661)
Income tax credit/(charge)	<u>9,782</u>	<u>(9,695)</u>

9. Dividends

For the year ended 31 December 2014 no dividend has been paid or declared (2013: Nil).

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

10. Deferred tax asset

Deferred tax arises on timing differences of a derivative financial instrument

	2014 £'000	2013 £'000
Balance at beginning of the year	11,706	22,352
Income statement credit/(charge)	9,743	(10,646)
Balance at end of the year	<u>21,449</u>	<u>11,706</u>

The corporation tax rate of 23% effective from 1 April 2013 reduced further by 2% to 21% for the tax year beginning 1 April 2014. A further 1% reduction to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. This reduction in the corporation tax rate from 23% to 21% results in weighted average rate of 21.5% (2013: 23.25%).

As a result of this reduction the company's future current tax charge will reduce accordingly. The deferred tax liability at 31 December 2014 has been calculated based on rates of 20% substantively enacted at the reporting date. The effect of the change in the rate to 20% was included in the financial statements in 2013. No additional change included in the year.

11. Amounts owed by/(to) group undertakings

	2014 £'000	2013 £'000
Current assets		
European Rail Finance Limited	-	13,314
European Rail Finance (GB) Limited	-	541
Eversholt Rail (380) Limited	-	874
Eversholt Depot Finance (UK) Limited	-	206
Eversholt Rail Holdings (UK) Limited	-	1,065
Eversholt Rail (UK) Limited	35,000	3,329
Intercompany accrued interest	13,174	-
	<u>48,174</u>	<u>19,329</u>
Non-current assets		
European Rail Finance Limited	-	1,036,131
European Rail Finance (GB) Limited	-	50,729
Eversholt Rail (380) Limited	-	164,995
Eversholt Depot Finance (UK) Limited	-	15,666
Eversholt Rail Holdings (UK) Limited	-	80,681
Eversholt Rail (UK) Limited	1,350,000	1,798
	<u>1,350,000</u>	<u>1,350,000</u>
	<u>1,398,174</u>	<u>1,369,329</u>

The terms of these loans mirror the terms of the Company's external debt described in note 15.

	2014 £'000	2013 £'000
Non-current liabilities		
Eversholt Rail (UK) Limited	<u>(8,873)</u>	<u>-</u>

In 2014 the terms of intragroup funding arrangements were revised to more closely align with the terms of the Group's external financing. The intragroup working capital loan with Eversholt Rail (UK) Limited is classified as non-current as it is repayable on or before 4 November 2018 (2013: the loans were unsecured and repayable in line with the company's external debt described in note 15). 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 (2013: GBP LIBOR plus margin).

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

12. Derivative financial instruments

	2014 £'000	2013 £'000
Current		
Interest rate swaps – assets	-	3
Non-current		
Interest rate swaps – liabilities	(107,243)	(58,532)

The Company has a number of interest rate swap contracts, which enable the Company to mitigate the risk of fluctuating interest rates on the cash flow exposures on variable rate debt.

During the year ended 31 December 2014, none of the swaps were designated in hedge accounting relationships. (2013: None).

The fair value of derivative financial instruments was based on market rates on 31 December 2014.

13. Cash and cash equivalents

Cash and cash equivalents are analysed as:

	2014 £'000	2013 £'000
Bank balances	500	587

£500,000 of cash and cash equivalents is restricted cash in line with the terms of an agreement with the security trustee for the Company's secured creditors.

14. Trade and other payables

	2014 £'000	2013 £'000
Fees and other payables accrued	40	188

15. Borrowings

	2014 £'000	2013 £'000
Current		
Bank loans	35,000	16,000
Interest accrued	13,174	13,228
Capitalised fees	(1,762)	(1,905)
	46,412	27,323
Non-current		
Bank loans	100,000	100,000
Bonds	1,250,000	1,250,000
Capitalised fees	(9,673)	(10,280)
	1,340,327	1,339,720
	1,386,739	1,367,043

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

15. Borrowings (continued)

The current bank loan is a revolving credit facility that is technically repayable and redrawn on each utilisation date which can have a maximum term of 6 months.

Bond principal amount	Due date	Interest rate Semi-annual coupon
£300m	2020	5.8%
£400m	2025	6.4%
£400m	2021-2035	6.7%
£100m	2028-2036	LIBOR+margin
£50m	2028-2036	Fixed rate

None of the bonds are puttable.

Bank loans and Bond agreements impose certain covenants on the performance and management of the Group. Failure to comply with these covenants may result in the loans being repayable on demand.

The Eversholt Investment Limited (Security Group) has granted security over all of its assets to enable it to secure this financing.

Fees incurred on raising finance have been capitalised and are being amortised using the 'effective interest method' over the term of the borrowings.

Maturity of borrowings

The maturity profile of the carrying amount of Company's non-current borrowings at 31 December 2014 was as follows:

	Bank loan £'000	Bond £'000	Total 2014 £'000	Total 2013 £'000
In more than one year but not more than two years	(1,422)	(399)	(1,821)	(1,762)
In more than two years but not more than five years	96,037	(1,347)	94,690	94,388
In more than five years	-	1,247,458	1,247,458	1,247,094
	<u>94,615</u>	<u>1,245,712</u>	<u>1,340,327</u>	<u>1,339,720</u>

16. Share capital

	2014 £'000	2013 £'000
Authorised, allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	<u>50</u>	<u>50</u>

The holders of ordinary shares are entitled to attend and vote at general meetings and receive dividends as and when declared.

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

17. Risk management

The Company has exposure to the following types of risk arising from its use of financial instruments: credit risk, liquidity risk and market risk. Market risk includes interest rate risk and foreign exchange risk.

The management of all risks which are significant, together with the quantitative disclosures not already included elsewhere in the financial statements, is described in this note.

Capital risk management

The Board actively monitors the capital structure of the Company to ensure that the Company is able to continue as a going concern. Consideration is given to the cost and risks associated with each class of capital and to maximising the return to stakeholders through the optimisation of the debt to equity ratio. The Board actively monitors the cash and availability of funding.

The Company is not subject to any externally imposed capital requirements.

Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its obligations under a contract. The Company manages credit risk by way of established risk management processes encompassing credit approvals and the monitoring and reporting of exposures. Regular reviews are undertaken to assess and evaluate the financial stability of counterparties.

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its cash flow requirements on a daily basis and compares expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. The Company borrows funds from another Group entity to meet any shortfall. Conversely, the Company lends any surplus funds to other Group entities.

Undiscounted cash flows in respect of financial assets and financial liabilities are analysed below by their contractual due date:

31 December 2014	Carrying value £'000	Contractual cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
Financial assets						
Loans and receivables						
- Intercompany term loans	1,398,174	2,263,128	-	112,046	411,812	1,739,270
Cash and cash equivalents	500	500	-	-	-	500
Total Financial assets	1,398,674	2,263,628	-	112,046	411,812	1,739,770
Financial liabilities						
Available for sale financial instruments						
- Derivative financial instruments	(107,243)	(116,335)	-	(5,902)	(52,237)	(58,196)
Borrowings and payables						
- Borrowings	(1,386,739)	(2,263,128)	-	(112,046)	(411,812)	(1,739,270)
- Intercompany working capital	(8,873)	(8,873)	-	-	(8,873)	-
- Trade and other payables	(40)	(40)	-	(40)	-	-
Total Financial liabilities	(1,502,895)	(2,388,376)	-	(117,988)	(472,922)	(1,797,466)
Total Financial Instruments	(104,422)	(124,748)	-	(5,942)	(61,110)	(57,696)

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

17. Risk management (continued)**Liquidity risk management (continued)**

Cash and cash equivalents (due after 5 years) of £500,000 represents cash held as collateral and is restricted.

	Carrying value £'000	Contractual cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
31 December 2013						
Financial assets						
Available for sale financial instruments						
- Derivative financial instruments	3	12	-	12	-	-
Loans and receivables						
- Intercompany term loans	1,366,000	2,351,785	-	93,176	418,773	1,839,836
- Intercompany working capital	3,329	3,329	3,329	-	-	-
Cash and cash equivalents	587	587	87	-	-	500
Total Financial assets	1,369,919	2,355,713	3,416	93,188	418,773	1,840,336
Financial liabilities						
Derivative financial instruments	(58,532)	(72,947)	-	(6,101)	(29,574)	(37,272)
Non-derivative instruments – amortised cost						
- Trade and other payables	(188)	(188)	-	(188)	-	-
- Borrowings	(1,367,043)	(2,351,785)	-	(93,176)	(418,773)	(1,839,836)
Total Financial liabilities	(1,425,763)	(2,424,920)	-	(99,465)	(448,347)	(1,877,108)
Total financial instruments	(55,844)	(69,207)	3,416	(6,277)	(29,574)	(36,772)

Interest rate risk management

The Company is exposed to interest rate risk because it borrows and deposits funds at fixed and floating interest rates. The cash flow risk is managed by the Company to maintain an appropriate mix between fixed and floating rate borrowings through the use of interest rate swaps.

	2014 £'000	2013 £'000
Financial liabilities – Fixed Rate	(1,150,000)	(1,150,000)
Financial liabilities – Fixed by interest rate hedging	(235,000)	(216,000)
Financial liabilities – Floating rate	(8,873)	-
Financial assets – Fixed Rate	1,150,000	1,150,000
Financial assets – Fixed by interest rate hedging	235,000	216,000
Financial assets – Floating rate	-	3,329

Interest rate sensitivity analysis

The impact of a 50 basis points increase in GBP LIBOR would have resulted in a decrease in interest expense of £498,822 on over hedged external debt offset by a decrease of £498,222 in intercompany term lending interest receipt, an increase in intercompany working capital interest received of £52,576 and an increase in cash deposit interest received of £2,500. A 50 basis points upwards parallel shift in the yield curve would have led to a decrease in negative fair value adjustment (loss) of £20,273,651 in the derivative financial instruments.

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

17. Risk management (continued)**Market risk management**

The Company is not exposed to foreign exchange risk on its financial assets or financial liabilities.

18. Financial Instruments

The fair values together with the carrying amounts of the financial assets and financial liabilities are as follows:

31 December 2014	Note	Carrying amount £'000	Level 1 £'000	Fair value Level 2 £'000	Level 3 £'000
Financial assets					
Available for sale financial instruments					
- Derivative financial instruments	12	-			
Loans and receivables					
- Intercompany loan receivables	11	1,398,174			
- Trade and other receivables		-			
Cash and cash equivalents	13	500			
Total Financial assets		<u>1,398,674</u>			
Financial liabilities					
Available for sale financial instruments					
- Derivative financial instruments	12	(107,243)	-	(107,243)	-
Non-derivative instruments – amortised cost					
- Publicly traded bonds	15	(1,100,000)	(1,381,713)	-	-
- Other borrowings	15	(298,174)			
- Intercompany working capital loan	11	(8,873)			
- Trade and other payables	14	(40)			
Total Financial liabilities		<u>(1,514,330)</u>			
Total financial instruments		<u>(115,656)</u>			
31 December 2013	Note	Carrying amount £'000	Level 1 £'000	Fair value Level 2 £'000	Level 3 £'000
Financial assets					
Available for sale financial instruments					
- Derivative financial instruments	12	3	-	3	-
Loans and receivables					
- Intercompany loan receivables	11	1,366,000			
- Intercompany working capital loan	11	3,329			
Cash and cash equivalents	13	587			
Total Financial assets		<u>1,369,919</u>			
Financial liabilities					
Available for sale financial instruments					
- Derivative financial instruments	12	(58,532)	-	(58,532)	-
Non-derivative instruments – amortised cost					
- Publicly traded bonds	15	(1,100,000)	(1,277,024)	-	-
- Other Borrowings	15	(279,228)			
- Trade and other payables	14	(188)			
Total Financial liabilities		<u>(1,437,948)</u>			
Total financial instruments		<u>(68,029)</u>			

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

18. Financial Instruments (continued)

There are no other material differences between the carrying value and the fair value of other financial assets and liabilities as at 31 December 2014 (2013: Nil).

19. Related-party transactions

19.1 Identity of related parties

The Company has a related party relationship with its directors (refer page 3) and with its fellow group undertakings of the Eversholt Rail Group, namely:

- European Rail Finance Holdings Limited
- European Rail Finance Limited
- European Rail Finance (GB) Limited
- Eversholt Rail Holdings (UK) Limited
- Eversholt Investment Limited
- Eversholt Finance Holdings Limited
- Eversholt Rail (UK) Limited
- Eversholt Depot Finance (UK) Limited
- Eversholt Rail (380) Limited
- Eversholt Rail (365) Limited
- European Rail Finance (2) Limited

The ultimate parent undertaking (which is the ultimate controlling party) is Eversholt Investment Group (Luxembourg) sarl. The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is Eversholt Investment Limited. The immediate holding company is Eversholt Finance Holdings Limited. The result of the Company is included in the group financial statements of Eversholt Investment Limited.

Copies of the group financial statements may be obtained from the following address:

Newmount House
22-24 Mount Street Lower
Dublin 2
Ireland

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

19. Related-party transactions (continued)

19.2 Transactions with related parties

The company has loan accounts with fellow subsidiaries more fully described in note 11 and note 15. Interest on these accounts is more fully described in notes 4 and 5.

Payments made to directors are more fully described in note 7.

The Company charged a management fee to Eversholt Rail (UK) Ltd of £15,000 (2013: £15,000). The Company paid management fees to Eversholt Investment Ltd of £10,000 (2013: £30,000).

Preferred Equity Certificates	MB Kenny	SF	F I
		Purves	Maroudas
Certificates held at 31 December 2012	365,626	270,797	-
Certificates redeemed	-	(270,797)	-
Certificates acquired	-	-	-
Certificates held at 31 December 2013	365,626	-	-
Certificates redeemed	(44,058)	-	-
Certificates acquired	-	-	-
Certificates held at 31 December 2014	321,568	-	-

Ordinary shares held

Shares held at 31 December 2013	901	-	667
Shares redeemed	-	-	(667)
Shares acquired	-	-	-
Shares held at 31 December 2014	901	-	-

20. Contingent liabilities

There were no contingent liabilities for the Company at 31 December 2014 (2013: nil).

21. Subsequent events

On 20 January 2015, Eversholt Investment Group entered into an agreement for the sale of their interests in Eversholt Rail Group to CKI Investments S.A.R.L. Completion of the transaction remains conditional upon receiving clearance from the European Commission under the EU Merger Regulation and it is anticipated that the transaction will close in March 2015.