Eversholt Depot Finance (UK) Limited

Annual report and financial statements
for the year ended 31 December 2015

Registered No: 05229765

Annual report and financial statements
for the year ended 31 December 2015

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Strategic report
for the year ended 31 December 2015

Business review

Eversholt Depot Finance (UK) Limited (the "Company"), earns both operating and finance lease income from the depots it owns. The Company forms part of the Eversholt Rail Group ("ERG" or "Group") more fully described in note 19.

A fellow group undertaking, Eversholt Rail (UK) Limited, provides asset management and administrative services to the Company, charging an annual management fee.

The business is funded principally by other Group undertakings through borrowings.

The Company has no employees.

Risk management

The Company has established financial risk management objectives and policies. These objectives, together with an analysis of the exposure to such risks, are set out in note 17 of the financial statements.

Performance

The Company's results for the year are as detailed in the Income statement on page 8.

The key performance indicator used by management in assessing the performance of the Company is the monitoring of actual cash flows in comparison with the planned cash flows determined at the inception of the lease transactions. Monthly management accounts are prepared and reviewed by the management of the Group.

Signed on behalf of the Board by:

M B Kenny
Director

Registered Office
210 Pentonville Road
London
N1 9JY
United Kingdom

Date: 22 February 2016

Directors' report
for the year ended 31 December 2015

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2015.

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 2015 (2014: £4,000,000). Dividend payments are reflected in the financial statements in the year in which they are declared.

Going concern basis

The financial statements are prepared on a 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.

Directors

The Directors who served during the year were as follows:

M B Kenny
A J Course
D G Stickland

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 Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors. The Directors have no interests in the share capital of the Company, their 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 Eversholt Rail Group to provide necessary capital resources which are therefore 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 2015

Auditor

KPMG LLP have resigned as auditor of the Company. Pursuant to Section 487 of the Companies Act 2006, Deloitte LLP have been appointed as auditor.

Signed on behalf of the Board by:

M B Kenny
Director

Registered Office
210 Pentonville Road
London
N1 9JY
United Kingdom

Date: 22 February 2016

Statement of Directors' responsibilities
for the year ended 31 December 2015

The Directors are responsible for preparing the Annual report and 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 year. 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 the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Company annual financial statements were approved by the Board of Directors on 22 February 2016 and signed on their behalf by:

M B Kenny
Director

Registered Office
210 Pentonville Road
London
N1 9JY
United Kingdom

Independent Auditor's report to the Members of Eversholt Depot Finance (UK) Limited

for the year ended 31 December 2015

We have audited the financial statements of Eversholt Depot Finance (UK) Limited for the year ended 31 December 2015 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 Auditors

As explained more fully in the Statement of Directors' responsibilities, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Independent Auditor's report to the Members of Eversholt Depot Finance (UK) Limited (continued)

for the year ended 31 December 2015

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.

Makhan Chahal

Makhan Chahal (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor

2 New Street Square
London EC4A 3BZ
United Kingdom

25th February 2016

Income statement
for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Revenue			
Operating lease income		**2,366**	2,366
Finance lease income		**716**	925
Total income		**3,082**	3,291
Cost of sales	*4*	**(994)**	(1,120)
Gross profit		**2,088**	2,171
Finance expense	*5*	**(1,115)**	(1,003)
Administrative expense	*6*	**(167)**	(154)
Profit before tax		**806**	1,014
Income tax credit/(charge)	*8*	**341**	(232)
Profit for the year		**1,147**	782

There were no discontinued or discontinuing operations during the year.

The notes on pages 12 to 23 form an integral part of these financial statements.

Statement of comprehensive income
for the year ended 31 December 2015

There has been no comprehensive income or expense other than the profit for the year as shown above (2014: nil).

Statement of financial position
as at 31 December 2015

	Note	2015 £'000	2014 £'000
Assets			
Non-current assets			
Property, plant and equipment	*10*	**19,247**	20,241
Finance lease receivables	*11*	**8,241**	9,239
		27,488	29,480
Current assets			
Finance lease receivables	*11*	**896**	823
Trade and other receivables	*12*	**-**	13
		896	836
Total assets		**28,384**	30,316
Liabilities and equity			
Current liabilities			
Trade and other payables	*13*	**214**	228
Current tax – amounts due to group relief		**549**	312
		763	540
Non-current liabilities			
Borrowings	*14*	**15,998**	18,410
Deferred tax	*15*	**4,934**	5,824
		20,932	24,234
Total liabilities		**21,695**	24,774
Equity			
Share capital	*16*	**5,000**	5,000
Retained earnings		**1,689**	542
Total equity		**6,689**	5,542
Total equity and liabilities		**28,384**	30,316

The notes on pages 12 to 23 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 22 February 2016. They were signed on its behalf by

D G Stickland
Director

Company registration number 05229765

Statement of cash flows
for the year ended 31 December 2015

	2015 £'000	2014 £'000
Cash flow from operating activities		
Profit before tax	**806**	1,014
Adjustments for:		
- Depreciation charge	**994**	1,120
- Finance expense	**1,115**	1,003
Operating cash flow before changes in working capital	**2,915**	3,137
- Decrease in finance lease receivables	**925**	779
- Decrease in trade and other receivables	**13**	3
- Decrease in trade and other payables	**(14)**	(2)
Cash flow generated by operating activities	**3,839**	3,917
Group relief paid	**(312)**	(621)
Net cash flow generated by operating activities	**3,527**	3,296
Cash flow from financing activities		
Movement in working capital loan account	**(2,412)**	(831)
Loans raised	**-**	18,410
Loans repaid	**-**	(15,872)
Finance expenses paid	**(1,115)**	(1,003)
Dividends paid	**-**	(4,000)
Net cash utilised in financing activities	**(3,527)**	(3,296)
Net movement in cash and cash equivalents	**-**	-
Cash and cash equivalents at beginning of the year	**-**	-
Cash and cash equivalents at the end of the year	**-**	-

Statement of changes in equity
for the year ended 31 December 2015

	Share capital £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance at 1 January 2014	5,000	3,760	8,760
Profit for the year	-	782	782
Dividends paid	-	(4,000)	(4,000)
Balance at 31 December 2014	**5,000**	**542**	**5,542**
Profit for the year	-	1,147	1,147
Balance at 31 December 2015	**5,000**	**1,689**	**6,689**

Dividends per share paid during the year is nil (2014: £0.80 per share).

Notes to the annual financial statements
for the year ended 31 December 2015

1 General Information

Eversholt Depot Finance (UK) Limited (the "Company") is a company incorporated and domiciled in England and Wales.

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

2 Basis of Preparation

These financial statements are presented in £'000. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.1 Compliance with International Financial Reporting Standards

The financial statements of Eversholt Depot Finance (UK) Limited have been prepared on the historical cost basis. 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 2015, there were no unendorsed standards effective for the year ended 31 December 2015 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 of the Company for the year ended 31 December 2015 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 IFRS Interpretations Committee 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 2015, 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 2015. 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 2018).
- IFRS 9 Financial Instruments (mandatory for periods beginning on or after 1 January 2018).
- IFRS 16 Leases (mandatory for periods beginning on or after 1 January 2019).
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (mandatory for periods beginning on or after 1 January 2017).

Notes to the annual financial statements (continued)
for the year ended 31 December 2015

2 Basis of Preparation (continued)

2.3 Going concern

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

3 Summary of significant accounting policies

The principal accounting policies adopted are set out below and have been applied consistently to all years 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 year.

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.

3.1.1 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

Other borrowing costs are recognised in profit and loss in the year in which they are incurred.

3.2 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 year 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 year 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 year.

Notes to the annual financial statements (continued)
for the year ended 31 December 2015

3 Summary of significant accounting policies (continued)

3.3 Property, plant and equipment

In the normal course of business, property, plant and equipment are recognised at cost and are depreciated using the reducing balance method over their useful economic lives to their estimated residual value. The useful economic life depends on the class of vehicle and type of asset and ranges from 20 to 40 years. Useful lives and residual values are reviewed annually and if there is an indication of impairment a loss will be recognised to reduce the carrying value of the asset to its recoverable amount.

The depreciation charge is included in the Income statement as detailed in note 4.

The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

At each reporting date, the Company reviews the carrying value of depots to determine whether there is any indication that the assets have suffered an impairment loss. If there is an indication that impairment exists, the recoverable amount of the asset is estimated to determine the extent of the impairment.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimate of future cash flows have been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. The impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in profit or loss.

3.4 Financial instruments

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.

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. The Company holds the following classes of financial assets.

3.4.1 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 Summary of significant accounting policies (continued)

3.4 Financial instruments (continued)

3.4.2 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.

3.4.3 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.

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 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.

3.4.5 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.

3.4.6 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.

3 Summary of significant accounting policies (continued)

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 ultimately from the Company's financing activities, through which the Company will acquire resources intended to generate future income and cash flows.

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 year 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 year in which the estimate is revised if the revision affects only that year or in the year of revision and future years if the revision affects both current and future years.

The critical judgements and estimates that the Directors 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 depreciation.

Depreciation is recognised so as to write off the cost of assets over their useful lives. In making their judgement of the useful life, management have considered the effect of wear and tear and planned maintenance on assets.

3.8 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Income from operating leases is recognised on a straight line basis over the lease term.

4 Cost of sales

	2015 £'000	2014 £'000
Depreciation	(994)	(1,120)

5 Finance expense

	2015 £'000	2014 £'000
Interest payable to Eversholt Rail (UK) Limited	(1,082)	(961)
Finance charges payable to Eversholt Funding plc	(33)	(42)
	(1,115)	(1,003)

Notes to the annual financial statements (continued)
for the year ended 31 December 2015

6 Administrative expenses

Administrative expenses include the following:	2015 £'000	2014 £'000
Management fees	**(156)**	(146)
Fees payable to the company's auditor for the audit of the company's annual financial statements	**(9)**	(8)

The Company has no employees and hence no staff costs (2014: nil).

7 Directors' emoluments

The Directors have been paid by another group undertaking. No specific charge has been made to the Company in this regard.

8 Income tax credit/(charge)

	Note	2015 £'000	2014 £'000
Current tax			
UK current tax			
- On current year profit		**(549)**	(623)
Deferred tax			
Origination and reversal of temporary differences	*15*		
- current year		**890**	391
Total income tax credit/(charge)		**341**	(232)

The following table reconciles the tax credit/(charge) which would apply if all profits had been taxed at the UK corporation tax rate:

	2015 £'000	2014 £'000
Taxation at corporation tax rate of 20.25% (2014: 21.49%)	**(163)**	(218)
Change in tax rates	**513**	(4)
Disallowable expenses	**(9)**	(10)
Income tax credit/(charge)	**341**	(232)

9 Dividends

For the year ended 31 December 2015 no dividends were paid (2014: £4,000,000 paid to Eversholt Rail Holdings Limited).

Notes to the annual financial statements (continued)
for the year ended 31 December 2015

10 Property, plant and equipment

	Rail Depots £'000
Cost	
Balance at 1 January 2014	25,145
Additions	-
Balance at 31 December 2014	25,145
Additions	-
Balance at 31 December 2015	**25,145**
Depreciation	
Balance at 1 January 2014	3,784
Charge for the year	1,120
Balance at 31 December 2014	4,904
Charge for the year	994
Balance at 31 December 2015	**5,898**
Carrying value at 31 December 2015	**19,247**
Carrying value at 31 December 2014	20,241

The Company has granted security over its interests in the depots to secure the borrowings of the Group.

11 Finance lease receivables

	2015 £'000	2014 £'000
Gross investment in finance leases		
Amounts falling due:		
No later than one year	**1,637**	1,640
Later than one year and no later than five years	**5,802**	6,058
Later than five years	**5,064**	6,445
Gross investment in finance leases	**12,503**	14,143
Unearned finance income	**(3,366)**	(4,081)
Net investment in finance leases less provisions	**9,137**	10,062
Amortisation of finance lease receivables:		
Amounts falling due:		
No later than one year	**896**	823
Later than one year and no later than five years	**3,813**	3,775
Later than five years	**4,428**	5,464
Present value of minimum lease receivables	**9,137**	10,062
Fair value of amounts receivable under finance leases	**9,137**	10,062
Aggregate finance lease rentals receivable in the year	**716**	925

Notes to the annual financial statements (continued)
for the year ended 31 December 2015

11 Finance lease receivables (continued)

The fair value of fixed rate finance lease receivables is calculated by discounting future minimum lease receivables, using equivalent current interest rates. The fair values are not considered to be significantly different from the carrying value.

The Company has entered into finance leasing arrangements for the depots. The finance leases vary between 10 and 20 years.

Finance lease receivable balances are secured over the depots and equipment leased. All assets have been pledged to secure borrowings of the Group. The Company is not permitted to pledge these assets as security for other borrowings and is restricted in its ability to dispose of its assets. The assets are secured by a fixed charge held by the financial institutions that have lent to Eversholt Funding plc.

The interest rates inherent in the leases are fixed at the contract date for all of the lease terms. The average effective interest rate contracted approximates between 6% and 10% (2014: 6% and 10%) per annum.

The maximum exposure to credit risk of finance lease receivables for the current and prior years is the carrying amount. The finance lease receivables are not past due and not impaired in the current and prior year.

12 Trade and other receivables

	2015 **£'000**	**2014** **£'000**
Trade receivables	-	13

13 Trade and other payables

	2015 **£'000**	**2014** **£'000**
Trade payables	-	13
Other payables	**66**	68
Accruals	**10**	4
Rentals received in advance	**138**	143
	214	228

14 Borrowings

	2015 **£'000**	**2014** **£'000**
Eversholt Rail (UK) Limited	**15,998**	18,410

The Company has granted security over all of its assets to enable a fellow group undertaking to obtain external financing by way of bonds and loans.

The intragroup loan with Eversholt Rail (UK) Limited is classified as non-current as it is repayable on 4 November 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: group's senior debt, plus margin)

Maturity of borrowings

The maturity profile of the carrying amount of the Company's non-current borrowings at 31 December 2015 was as follows:

	2015 **£'000**	**2014** **£'000**
In more than one year but not more than two years	-	-
In more than two years but not more than five years	**15,998**	18,410
In more than five years	-	-
	15,998	18,410

Notes to the annual financial statements (continued)
for the year ended 31 December 2015

15 Deferred tax

	2015 £'000	2014 £'000
Leasing transactions temporary differences:		
Balance at beginning of the year	**5,824**	6,215
Arising from temporary differences	**(377)**	(395)
Change in tax rates	**(513)**	4
Balance at end of the year	**4,934**	5,824

The corporation tax rate of 21% effective from 1 April 2014 reduced further by 1% to 20% for the tax year beginning 1 April 2015. Further reductions to 19% from 1 April 2017 and 18% from 1 April 2020 were substantively enacted on 18 November 2015. This reduction in the corporation tax rate from 21% to 20% results in weighted average rate of 20.25% (2014: 21.49%).

As a result of this reduction the Company's future current tax charge will reduce accordingly. The deferred tax asset at 31 December 2015 has been calculated based on rates of 18% substantively enacted at the reporting date. The effect of the change in the rate to 18% was included in the financial statements. No additional change included in the year.

16 Share capital

	2015 £'000	2014 £'000
Authorised, allotted, called up and fully paid		
5,000,100 Ordinary shares of £1 each	**5,000**	5,000

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

17 Risk management

Exposure to residual value risk, credit risk, liquidity risk and market risk arises in the normal course of the Company's business. The policies for managing all risks which are significant, together with the quantitative disclosures not already included elsewhere in the financial statements are described in this note.

Residual value risk

A significant part of the Company's return from operating leases is dependent upon its management of residual value risk. This risk arises from operating and finance lease transactions to the extent that the values recovered from re-letting assets at the end of the lease terms (the "residual values") differ from those projected at the inception of the leases. The Company regularly monitors residual value exposure by reviewing the recoverability of the residual value projected at lease inception. This entails considering the potential to re-let at the end of their current lease terms. Provision is made to the extent that the carrying values of leased assets are impaired through residual values not being fully recoverable.

Capital risk management

The Board actively monitors the capital structure of the Company to ensure 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 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. It arises principally from lease receivables.

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. No lease receivables are in arrears.

Notes to the annual financial statements (continued)
for the year ended 31 December 2015

17 Risk management (continued)

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 monthly basis and will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. In light of this the Company will borrow funds as and when required from parent undertakings.

The Company's assets, net of deferred tax, are funded principally by borrowings from a fellow Group undertaking and third parties and by equity capital.

Undiscounted cash flows receivable from financial assets and payable to meet financial liabilities are analysed below by their contractual due date:

	Carrying value	Contractual cash flows	On demand	Due within 1 year	Due between 1-5 years	Due after 5 years
31 December 2015	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets						
Loans and receivables						
- Finance lease receivables	**9,137**	**12,503**	**-**	**1,637**	**5,802**	**5,064**
Financial liabilities						
Non-derivative instruments – amortised cost						
- Trade and other payables	**214**	**214**	**-**	**214**	**-**	**-**
- Borrowings	**15,998**	**15,998**	**-**	**-**	**15,998**	**-**
	16,212	**16,212**	**-**	**214**	**15,998**	**-**
Total financial instruments	**(7,075)**	**(3,709)**	**-**	**1,423**	**(10,196)**	**5,064**
31 December 2014						
Financial assets						
Loans and receivables						
- Finance lease receivable	10,062	14,143	-	1,640	6,058	6,445
- Trade and other receivables	13	13	-	13	-	-
	10,075	14,156	-	1,653	6,058	6,445
Financial liabilities						
Non-derivative instruments – amortised cost						
- Trade and other payables	228	228	-	228	-	-
- Borrowings	18,410	18,410	-	-	18,410	-
	18,638	18,638	-	228	18,410	-
Total financial instruments	(8,563)	(4,482)	-	1,425	(12,352)	6,445

There are no material differences between the carrying value and the fair value of other financial assets and liabilities as at 31 December 2015 (2014: nil).

Undiscounted cash flows in respect of the intercompany loans with Eversholt Rail UK Limited include principle amount only, due to uncertainty of working capital movements and of interest estimation. Interest on working capital loans is settled as part of working capital cash movements and not accrued.

The expected cash flows are not anticipated to be materially different to the contractual cash flows.

Market risk management

The Company has exposure to fluctuations in interest rates. This exposure is managed at a group level through the use of interest rate swaps. The cost or benefit derived from the use of swaps is taken into account in determining the interest on the loan accounts.

Interest rate sensitivity analysis

The impact of a 50 basis points increase in LIBOR would have resulted in a decrease in intercompany working capital interest expense of £8,114. The sensitivity analysis is applied to the borrowing rate and performed on the monthly balance of the relevant financial instrument.

Notes to the annual financial statements (continued)
for the year ended 31 December 2015

18 Operating lease arrangement

The Company has contracts with lessees in relation to rolling stock. At the reporting date, the outstanding commitments for future minimum lease payments under operating leases are as follows:

	2015 £'000	2014 £'000
No later than one year	**2,622**	2,622
Later than one year and no later than five years	**3,897**	6,156
Later than five years	**1,359**	1,721
	7,878	10,499
Aggregate operating lease rentals receivable in the year	**2,366**	2,366

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 other entities in the Eversholt Rail Group, namely:

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

The ultimate parent undertaking (which is the ultimate controlling party) is CK Hutchison Holdings Limited. It was previously 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 CK Hutchison Holdings Limited. The immediate holding company is Eversholt Rail Holdings (UK) Limited. The result of the Company is included in the Group financial statements of CK Hutchison Holdings Limited.

Copies of the group financial statements may be obtained from the following address:
PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

19.2 Transactions with related parties

The Company has loans with related parties, more fully described in note 14. Interest on these loans are more fully described in note 5.

The Company paid management fees of £145,895 to Eversholt Rail (UK) Limited (2014: £135,360) and £10,000 to Eversholt Investment Limited (2014: £10,000).

Notes to the annual financial statements (continued)
for the year ended 31 December 2015

19 Related-party transactions (continued)

19.2 Transactions with related parties (continued)

The Directors held the following interest in Eversholt Investment Group (Luxembourg) sarl:

	MB Kenny
Preferred Equity Certificates	
Certificates held at 31 December 2013	**365,626**
Certificates redeemed	(44,058)
Certificates held at 31 December 2014	**321,568**
Certificates redeemed	(321,568)
Certificates held at 31 December 2015	-
Ordinary shares held	
Shares held at 31 December 2013 and 2014	**901**
Shares redeemed	(901)
Shares held at 31 December 2015	-

20 Contingent liabilities

There were no contingent liabilities for the Company at 31 December 2015 (2014: nil).

21 Subsequent events

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