Eversholt Funding plc

Annual Financial Statements
for the year ended 31 December 2013

Registered No: 7329930

Annual Financial Statements
for the year ended 31 December 2013

Contents

Strategic report

for the year ended 31 December 2013

Business review

During the year, the Company completed a £600m senior debt financing to provide additional funding capacity for investment in rolling stock by the Eversholt Rail Group and to repay existing bank facilities.

The Company has reported a profit for the year, principally due to a positive movement in the fair value of derivative contracts.

The business is funded principally by external funding. 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: 26 February 2014

Directors' Report
for the year ended 31 December 2013

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 2013 (year ended 31 December 2012: 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.

Directors

The Directors who served during the year were as follows:

M B Kenny	
S F Purves	Resigned 31 May 2013
A J Course	Appointed 31 May 2013
F I Maroudas	Appointed 2 September 2013
LDC Securitisation Director No 3 Limited	

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 18.

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 2013

Auditor

Following a review of their corporate structure our auditor, KPMG Audit Plc, has instigated an orderly wind down of business, with future audit work being undertaken by KPMG LLP. The Board has decided to put KPMG LLP forward to be appointed as auditors and a resolution for their appointment will be proposed to the forthcoming Annual General Meeting of the Group. There is no difference in liability terms between KPMG Audit Plc and KPMG LLP.

Signed on behalf of the Board by:

M B Kenny
Director

Registered Office
210 Pentonville Road
London
N1 9JY
Date: 26 February 2014

Statement of Directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

for the year ended 31 December 2013

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 26 February 2014 and signed on their behalf by:

Signed on behalf of the Board 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 2013

We have audited the financial statements of Eversholt Funding plc for the year ended 31 December 2013 set out on pages 7 to 23. 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 2013 and of its profit 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) 26 February 2014
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

Income statement
for the year ended 31 December 2013

	Notes	2013 £	2012 £
Revenue			
Fee Income		**15,000**	15,000
Finance income	*4*	**85,625,703**	89,226,944
		85,640,703	89,241,944
Finance expenses	*5*	**(85,682,226)**	(89,607,981)
Net fair value profit (loss) on derivative financial instruments		**34,713,307**	(23,994,072)
		34,671,784	(24,360,109)
Administrative expense	*6*	**(111,237)**	(16,107)
Profit / (Loss) before tax		**34,560,547**	(24,376,216)
Income tax (charge) / credit	*8*	**(9,694,726)**	4,149,079
Profit / (Loss) for the year		**24,865,821**	(20,227,137)

There were no discontinued or discontinuing operations during the period.

The notes on pages 11 to 23 form an integrated part of these financial statements.

Statement of comprehensive income
for the year ended 31 December 2013

There has been no comprehensive income or expense other than the profit for the year as shown above (year ended 31 December 2012: Nil).

Statement of financial position
as at 31 December 2013

	Note	2013 £	2012 £
Assets			
Non-current assets			
Deferred tax	*10*	**11,705,798**	22,351,658
Loan receivables	*11*	**1,349,999,999**	1,591,949,999
		1,361,705,797	1,614,301,657
Current assets			
Loan receivables	*11*	**19,329,320**	2,446,962
Derivative financial instruments	*12*	**2,728**	741,177
Current tax		**488,083**	61,871
Trade and other receivables		**378**	1,389
Cash and cash equivalents	*13*	**587,415**	502,607
		20,407,924	3,754,006
Total assets		**1,382,113,721**	1,618,055,663
Liabilities and equity			
Current liabilities			
Trade and other payables	*14*	**187,683**	208,903
Borrowings	*15*	**27,322,675**	10,227,680
		27,510,358	10,436,583
Non-current liabilities			
Borrowings	*15*	**1,339,720,100**	1,578,211,055
Derivative financial instruments	*12*	**58,531,715**	97,922,298
		1,398,251,815	1,676,133,353
Total liabilities		**1,425,762,173**	1,686,569,936
Equity			
Share capital	*16*	**50,000**	50,000
Accumulated deficit		**(43,698,452)**	(68,564,273)
Total equity		**(43,648,452)**	(68,514,273)
Total equity and liabilities		**1,382,113,721**	1,618,055,663

The notes on pages 11 to 23 form an integral part of these financial statements.

The financial statements were approved by the Board of directors and authorised for issue on 26 February 2014. They were signed on its behalf by:

F I Maroudas
Director

Company registration number: 7329930

Statement of cash flows
for the year ended 31 December 2013

	Note	2013 £	2012 £
Cash flow from operating activities			
Profit/(loss) before tax		**34,560,547**	(24,376,216)
Finance expense		**85,682,226**	89,607,981
Finance income		**(85,625,703)**	(89,226,944)
Amortisation of capitalised finance charges		**12,022,056**	4,634,361
Capitalisation of finance charges		**(7,408,113)**	(93,246)
Unrealised (profit)/loss on fair value of derivative financial instruments		**(34,713,307)**	23,994,072
Operating cash flow before changes in working capital		**4,517,706**	4,540,008
Adjustments for:			
Decrease in trade and other receivables		**1,011**	-
Decrease in trade and other payables		**(21,220)**	(14,254)
Cash generated by operating activities		**4,497,497**	4,525,753
Group relief		**524,923**	(2,086,967)
Net cash generated by operating activities		**5,022,420**	2,438,787
Cash flow from investing activities			
Amounts repaid by group entities		**504,950,000**	204,999,997
Interest received on intra-group loans		**85,411,594**	89,028,960
Interest received on working capital loan		**212,565**	196,612
Net cash generated by investing activities		**590,574,159**	294,225,570
Cash flow from financing activities			
Movement in working capital loan account		**(869,520)**	(14,570,772)
Realised loss on derivative financial instruments		**(3,938,827)**	-
Amounts lent to group entities repaid		**(279,000,000)**	(150,000,000)
External borrowings repaid		**(504,950,000)**	(205,000,000)
External borrowing raised		**279,000,000**	150,000,000
Interest paid on bonds		**(75,192,521)**	(69,728,000)
Interest paid on bank loans		**(6,470,117)**	(12,994,041)
Interest paid on swaps		**(6,405,164)**	(10,949,183)
Interest received on swaps		**2,584,284**	4,545,827
Other finance expense		**(270,634)**	(580,163)
Other finance income		**728**	1,941
Net cash utilised in financing activities		**(595,511,771)**	(309,274,391)
Net increase/(decrease) in cash and equivalents		**84,808**	(12,610,034)
Cash and cash equivalents at beginning of the year		**502,607**	13,112,641
Cash and cash equivalents at the end of year	*13*	**587,415**	502,607

Statement of changes in equity
for the year ended 31 December 2013

	Called up share capital £	Accumulated deficit £	Total shareholders' equity £
Balance at 1 January 2012	50,000	(48,337,136)	(48,287,136)
Loss for the year	-	(20,227,137)	(20,227,137)
Balance at 31 December 2012	50,000	(68,564,273)	(68,514,273)
Profit for the year		24,865,821	24,865,821
Balance at 31 December 2013	**50,000**	**(43,698,452)**	**(43,648,452)**

Notes to the Annual Financial Statements
for the year ended 31 December 2013

1. General Information

Eversholt Funding plc (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 pounds sterling because that is the currency of the primary economic environment in which the Company operates.

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 2013, there were no unendorsed standards effective for the year ended 31 December 2013 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 2013 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

The following Adopted IFRSs have been issued but have not been applied in these financial statements as they are not yet mandatory. Their adoption is not expected to have a material effect on the financial statements unless stated otherwise.

- IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (mandatory for year commencing on or after 1 January 2014).
- IFRS 11 Joint Arrangements and Amendments to IAS 28 (2008) Investments in Associates and Joint Ventures (mandatory for year commencing on or after 1 January 2014).
- IFRS 12 Disclosure of Interests in Other Entities (mandatory for year commencing on or after 1 January 2014).
- Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (mandatory for year commencing on or after 1 January 2014).
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (mandatory for year commencing on or after 1 January 2014).
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (mandatory for year commencing on or after 1 January 2014).
- IFRS 9 Financial Instruments (Effective date to be confirmed). The impact resulting from the application of this standard is currently being assessed by the Directors.
- Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting' (mandatory for year commencing on or after 1 January 2014).
- IFRIC Interpretation 21 Levies (mandatory for year commencing on or after 1 January 2014).

Notes to the Annual Financial Statements (continued)
for the year ended 31 December 2013

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.

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 2013

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.

3.5 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.

Notes to the Annual Financial Statements (continued)
for the year ended 31 December 2013

3. Summary of significant accounting policies (continued)

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

	2013 £	2012 £
Interest on intra-group loans	**85,411,594**	89,027,818
Interest on bank deposits/balances	**1,544**	2,514
Interest received from Eversholt Rail (UK) Limited	**212,565**	196,612
	85,625,703	89,226,944

5. Finance expenses

	2013 £	2012 £
Interest payable on bank loans	**(6,455,586)**	(12,938,774)
Interest payable on derivative financial instruments	**(3,925,612)**	(6,370,474)
Interest payable on bonds	**(75,030,396)**	(69,719,712)
Fees payable	**(270,632)**	(579,021)
	(85,682,226)	(89,607,981)

6. Administrative expense

Administrative expenses include the following:	2013 £	2012 £
Fees payable to the company's auditor for the audit of the company's annual accounts	**(9,859)**	(9,859)

The Company has no employees and hence no staff costs.

Notes to the Annual Financial Statements (continued)
for the year ended 31 December 2013

7. Directors' emoluments

Non-executive directors

	2013 £	2012 £
Director's fees	**23,143**	23,143

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 (charge) / credit

	Note	2013 £	2012 £
Current tax			
UK Corporation tax on current year profit		**951,134**	94,183
Deferred tax			
Origination and reversal of temporary differences	*10*	**(10,645,860)**	4,054,896
Total income tax (charge)/credit		**(9,694,726)**	4,149,079

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

	2013 £	2012 £
Taxation at corporation tax rate of 23.25% (31 December 2012: 24.5%)	**(8,034,143)**	5,972,173
Change in tax rates	**(1,660,583)**	(1,823,094)
Income tax credit	**(9,694,726)**	4,149,079

9. Dividends

For the year ended 31 December 2013 no dividend has been paid or declared (31 December 2012: Nil).

Notes to the Annual Financial Statements (continued)
for the year ended 31 December 2013

10. Deferred tax asset

Deferred tax arises on timing differences of a derivative financial instrument

	2013 £	2012 £
Balance at beginning of the year	**22,351,658**	18,296,762
Income statement (charge)/credit	**(10,645,860)**	4,054,896
Balance at end of the year	**11,705,798**	22,351,658

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2013 has been calculated based on the rates of 20% and 21% substantively enacted at the reporting date.

Since only the change in the rate to 20% and 21% had been substantively enacted at the reporting date, the effect of this change only is included in these financial statements.

11. Loan Receivables

	2013 £	2012 £
Current		
European Rail Finance Limited	**13,313,750**	-
European Rail Finance (GB) Limited	**541,410**	-
Eversholt Rail (380) Limited	**873,834**	-
Eversholt Depot Finance (UK) Limited	**205,913**	-
Eversholt Rail Holdings (UK) Limited	**1,065,093**	-
Eversholt Rail (UK) Limited	**3,329,320**	2,446,962
	19,329,320	2,446,962
Non-current		
European Rail Finance Limited	**1,036,131,277**	1,237,460,147
European Rail Finance (GB) Limited	**50,729,133**	58,916,271
Eversholt Rail (380) Limited	**164,994,590**	178,208,598
Eversholt Depot Finance (UK) Limited	**15,665,887**	18,779,673
Eversholt Rail Holdings (UK) Limited	**80,680,763**	96,786,960
Eversholt Rail (UK) Limited	**1,798,349**	1,798,350
	1,349,999,999	1,591,949,999
	1,369,329,319	1,594,396,961

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

Notes to the Annual Financial Statements (continued)
for the year ended 31 December 2013

12. Derivative financial instruments

	2013	2012
Current	**£**	**£**
Interest rate swaps - assets	**2,728**	741,177
Non-current		
Interest rate swaps - liabilities	**(58,531,715)**	(97,922,298)

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. The swaps have been restructured as a result of refinancing during the year.

During the year ended 31 December 2013, none of the swaps were designated in hedge accounting relationships. (31 December 2012: None).

The fair value of derivative financial instruments was based on market rates on 31 December 2013.

13. Cash and cash equivalents

Cash and cash equivalents are analysed as:

	2013	2012
	£	**£**
Bank balances	**587,415**	502,607

£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

	2013	2012
	£	**£**
Fees and other payables accrued	**187,683**	208,903

15. Borrowings

	2013	2012
	£	**£**
Current		
Bank loans	**16,000,000**	-
Interest accrued	**13,228,117**	13,300,857
Capitalised fees	**(1,905,442)**	(3,073,177)
	27,322,675	10,227,680
Non-current		
Bank loans	**100,000,000**	341,950,000
Bonds	**1,250,000,000**	1,250,000,000
Capitalised fees	**(10,279,900)**	(13,738,945)
	1,339,720,100	1,578,211,055
	1,367,042,775	1,588,438,735

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2013

15. Borrowings (continued)

The loan from Eversholt Rail (UK) Limited, is unsecured, has no fixed date for repayment and is therefore technically repayable on demand. Interest is charged at a margin over GBP Libor.

On 01 November 2013, the company signed a new credit facility with a consortium of banks. The old bank loan was repaid in full on 05 November 2013 and a liability release was issued by the facility agent.

The new loans are repayable in November 2018 with options to extend to 2020. Interest on these loans is chargeable at a margin over GBP Libor.

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 + 2.33%
£50m	2028-2036	5.01%

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.

16. Share capital

	2013	**2012**
	£	**£**
Authorised, allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	**50,000**	50,000

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

17. Risk management

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.

Notes to the Annual Financial Statements (continued)
for the year ended 31 December 2013

17. Risk management (continued)

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 2013	Carrying value £	Contractual cash flows £	On demand £	Due within 1 year £	Due between 1-5 years £	Due after 5 years £
Financial assets						
Available for sale financial instruments						
- Derivative financial instruments	2,728	12,379	-	12,379	-	-
Loans and receivables						
- Loan receivables	1,369,284,319	2,355,069,500	3,284,320	93,176,042	418,772,878	1,839,836,260
- Trade and other receivables	378	378	-	378	-	-
Cash and cash equivalents	587,415	587,415	87,415	-	-	500,000
Total Financial assets	1,369,874,840	2,355,669,672	3,371,735	93,188,799	418,772,878	1,840,336,260
Financial liabilities						
Available for sale financial instruments						
- Derivative financial instruments	(58,531,715)	(72,946,581)	-	(6,100,884)	(29,574,044)	(37,271,653)
Borrowings and payables						
- Borrowings	(1,367,042,775)	(2,351,785,180)	-	(93,176,042)	(418,772,878)	(1,839,836,260)
- Trade and other payables	(187,683)	(187,683)	-	(187,683)	-	-
Total Financial liabilities	(1,425,762,173)	(2,424,919,444)	-	(99,464,609)	(448,346,922)	(1,877,107,913)
Total Financial Instruments	(55,887,333)	(69,249,772)	3,371,735	(6,275,810)	(29,574,044)	(36,771,653)

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

Notes to the Annual Financial Statements (continued)
for the year ended 31 December 2013

17. Risk management (continued)

Liquidity risk management (continued)

	Carrying value	Contractual cash flows	On demand	Due within 1 year	Due between 1-5 years	Due after 5 years
	£	£	£	£	£	£
31 December 2012						
Financial assets						
Available for sale financial instruments						
- Derivative financial instruments	741,177	483,794	-	483,794	-	-
Loans and receivables						
- Loan receivables	1,594,396,961	2,676,491,936	2,446,962	83,354,741	673,652,003	1,917,038,230
- Trade and other receivables	1,389	1,389	-	1,389	-	-
Cash and cash equivalents	502,607	502,607	2,607	-	-	500,000
Total Financial assets	1,595,642,134	2,677,479,726	2,449,569	83,839,924	673,652,003	1,917,538,230
Financial liabilities						
Derivative financial instruments	(97,922,298)	(103,432,659)	-	(7,423,599)	(36,982,076)	(59,026,984)
Non-derivative instruments – amortised cost						
Trade and other payables	(208,903)	(208,903)	-	(208,903)	-	-
- Borrowings	(1,588,438,735)	(2,674,044,974)	-	(83,354,741)	(673,652,003)	(1,917,038,230)
Total Financial liabilities	(1,686,569,936)	(2,777,686,536)	-	(90,987,243)	(710,634,079)	(1,976,065,214)
Total financial instruments	(90,927,802)	(100,206,810)	2,449,569	(7,147,319)	(36,982,076)	(58,526,984)

Bonds with a carrying value of £1,250,000,000 (31 December 2012: £1,250,000,000) have a fair value of £1,427,023,800 (31 December 2012: £1,503,237,000) and would fall into the level one group. The Company lends to other group entities on terms which reflect the terms of the external bonds. Consequently included in loan receivables are £1,250,000 (31 December 2012: £1,250,000,000) of receivables which have a fair value of £1,427,023,800 (31 December 2012: £1,503,237,000) which fall into the level two group. There are no material differences between the carrying value and the fair value of other financial assets and liabilities as at 31 December 2013 (31 December 2012: Nil)..

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.

	2013	2012
	£	£
Financial liabilities – Fixed Rate	**(1,150,000,000)**	(1,150,000,000)
Financial liabilities – Fixed by interest rate hedging	**(216,000,000)**	(441,950,000)
Financial assets – Fixed Rate	**1,366,000,000**	1,591,950,000
Financial assets – Floating rate	**3,829,320**	2,946,962

Notes to the Annual Financial Statements (continued)
for the year ended 31 December 2013

17. Risk management (continued)

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 £62,971 on unhedged debt, an increase in intercompany working capital interest received of £50,908 and an increase in cash deposit interest received of £2,523. A 50 basis points upwards parallel shift in the yield curve would have decreased the derivative liability by £17,185,938.

Market risk management

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

18. Related-party transactions

18.1 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:

Block 4
Regus House
Harcourt Centre
Harcourt Road
Dublin 2
Ireland

Notes to the Annual Financial Statements (continued)
for the year ended 31 December 2013

18. Related-party transactions (continued)
18.2 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 (year ended 31 December 2012: £15,000). The Company paid management fees to Eversholt Investment Ltd of £30,000 (year ended 31 December 2012: Nil).

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

Preferred Equity Certificates	**M B Kenny**	**S F Purves**	**F I Maroudas**
Certificates held at 31 December 2011	**187,127**	**138,683**	**-**
Certificates redeemed	(27,044)	(20,033)	-
Certificates acquired	205,543	152,147	-
Certificates held at 31 December 2012	**365,626**	**270,797**	**-**
Certificates redeemed	-	(270,797)	-
Certificates held at 31 December 2013	**365,626**	**-**	**-**

Ordinary Shares			
Shares held at 31 December 2012	**901**	**667**	**-**
Shares redeemed	-	(667)	-
Shares acquired	-	-	667
Shares held at 31 December 2013	**901**	**-**	**667**

19. Contingent liabilities

There were no contingent liabilities for the Company at 31 December 2013 (31 December 2012: nil).

20. Subsequent events

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