Eversholt Funding plc

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

Registered No: 07329930

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

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for the year ended 31 December 2015

Business review

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

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

During the year, the Company raised £90m through a privately placed bond issue and extended its revolving credit facility which enabled the Company to repay its non-current bank loan. The Company has reported a loss in the year, principally due to a negative movement in the fair value of derivative contracts.

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

The Company has no employees.

Risk management

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

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

The principal business risks for the Company are market, liquidity and credit risk. The market risk arises from exposure to interest rate fluctuations on the value of and cashflows attributable to borrowings and deposits. The cashflow risk is managed by means of interest rate swaps which have fixed the interest on the floating rate 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 8.

The key performance indicator used by management in assessing the performance of the Company is the monitoring of actual group cashflows in comparison with the planned cashflows determined at the inception of the lease transactions. Monthly management accounts are prepared at a group level and reviewed by the Directors.

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 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: Nil).

Going concern basis

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

Directors

The Directors who served during the year were as follows:

M B Kenny
A J Course
D G Stickland
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 19.

Capital management

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

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

Disclosure of information to the auditor

Each person who is a director at the date of approval of this annual 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 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 Directors confirm to the best of their knowledge that:

- the financial statements, prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets and liabilities, financial position and profit of Eversholt Funding plc as at 31 December 2015; and
- the Directors' report includes a fair and true view of the development and performance of the business and the financial position of Eversholt Funding plc, together with a description of its principal risks and uncertainties.

The Company's 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 Funding plc
for the year ended 31 December 2015

We have audited the financial statements of Eversholt Funding plc 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 Auditor

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 group's and the parent 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 annual 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 loss 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 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 Funding plc
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

	Notes	2015 £'000	2014 £'000
Revenue			
Fee Income		397	15
Finance income	4	83,928	83,706
		84,325	83,721
Finance expense	5	(84,819)	(83,860)
Net fair value loss on derivative financial instruments		(6,467)	(48,714)
		(6,961)	(48,853)
Administrative expense	6	(265)	(45)
Loss before tax		(7,226)	(48,898)
Income tax (charge)/credit	8	(294)	9,782
Loss for the year		(7,520)	(39,116)

There were no discontinued or discontinuing operations during the year.

The notes on pages 12 to 25 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 loss 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			
Deferred tax	*10*	**16,170**	21,449
Amounts owed by group undertakings	*11*	**1,340,000**	1,350,000
		1,356,170	1,371,449
Current assets			
Amounts owed by group undertakings	*11*	**34,226**	48,174
Derivative financial instruments	*12*	**860**	-
Current tax - amounts due from group relief		**4,988**	8
Cash and cash equivalents	*13*	**500**	500
Trade and other receivables		**3**	-
		40,577	48,682
Total assets		**1,396,747**	1,420,131
Liabilities and equity			
Current liabilities			
Trade and other payables	*14*	**372**	40
Borrowings	*15*	**32,604**	46,412
		32,976	46,452
Non-current liabilities			
Borrowings	*15*	**1,330,299**	1,340,327
Amounts owed to group undertakings	*11*	**34,951**	8,873
Derivative financial instruments	*12*	**88,805**	107,243
		1,454,055	1,456,443
Total liabilities		**1,487,031**	1,502,895
Equity			
Share capital	*16*	**50**	50
Accumulated deficit		**(90,334)**	(82,814)
Total equity		**(90,284)**	(82,764)
Total equity and liabilities		**1,396,747**	1,420,131

The notes on pages 12 to 25 form an integral part of these financial statements.

The 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: 7329930

Statement of cash flows
for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Cash flow from operating activities			
Loss before tax		**(7,226)**	(48,898)
Finance expense		**84,819**	83,860
Finance income		**(83,928)**	(83,706)
Amortisation of capitalised finance charges		**2,552**	1,967
Capitalisation of finance charges		**(2,441)**	(1,217)
Unrealised loss on fair value of derivative financial instruments		**6,467**	48,714
Operating cash flow before changes in working capital		**243**	720
Adjustments for:			
Increase in trade and other receivables		**(3)**	-
Increase/(decrease) in trade and other payables		**171**	(148)
Cash generated by operating activities		**411**	572
Tax paid		**5**	519
Net cash generated by operating activities		**416**	1,091
Cash flow from investing activities			
Amounts repaid by group entities		**25,000**	1,366,000
Amounts lent to group entities		**-**	(1,385,000)
Interest received on intra-group loans		**-**	83,671
Interest received on working capital loan		**83,928**	35
Net cash generated by investing activities		**108,928**	64,706
Cash flow from financing activities			
Movement in working capital loan account		**26,078**	12,202
Intercompany interest		**(1,052)**	(13,174)
Realised loss on derivative financial instruments		**(25,764)**	-
External borrowings repaid		**(115,000)**	(91,000)
External borrowing raised		**90,000**	110,000
Interest paid on bonds		**(75,283)**	(75,214)
Interest paid on bank loans		**(1,804)**	(2,410)
Interest paid on swaps		**(5,764)**	(6,773)
Interest received on swaps		**-**	672
Other finance expense		**(755)**	(188)
Other finance income		**-**	1
Net cash utilised in financing activities		**(109,344)**	(65,884)
Net decrease in cash and equivalents		**-**	(87)
Cash and cash equivalents at beginning of the year		**500**	587
Cash and cash equivalents at the end of year	*13*	**500**	500

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

	Share capital £'000	Accumulated deficit £'000	Total shareholder's equity £'000
Balance at 1 January 2014	50	(43,698)	(43,648)
Loss for the year	-	(39,116)	(39,116)
Balance at 31 December 2014	**50**	**(82,814)**	**(82,764)**
Loss for the year		(7,520)	(7,520)
Balance at 31 December 2015	**50**	**(90,334)**	**(90,284)**

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

1. General Information

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

2. Basis of Preparation

These financial statements are presented in £'000, unless otherwise stated.

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 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 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 Lease (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 accumulated losses being greater than the called up share capital gives rise to there being an excess of liabilities over assets. The financial statements has been assessed in conjunction with its immediate parent, Eversholt Finance Holdings Limited, as its viability is dependent upon the ability of the Group companies to provide funds for the Company when required. As a result and having made appropriate enquiries, reviewed forecasts and having the commitment of support from the parent, the Directors consider it reasonable to assume that the Company has adequate resources to continue for the foreseeable future and on this basis the accounts have been prepared on a going concern basis.

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 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 years 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 year.

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

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 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.

3.4.1.3 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.

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

3.Summary of significant accounting policies (continued)

3.4 Financial instruments (continued)

3.4.3 Impairment of financial assets (continued)

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 account. 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 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 negative fair value is recognised as a financial liability.

3.4.6 Determination of fair value

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

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

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

3. Summary of significant accounting policies (continued)

3.4 Financial instruments (continued)

3.4.6 Determination of fair value (continued)

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

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

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

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

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

3.5 Statement of cash flows

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

3.6 Share capital

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

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

3.7 Use of assumptions and estimates

In the application of the Company's accounting policies, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.There are no accounting policies that are deemed critical to the Company's IFRS results and financial position, in terms of materiality of the items to which the policy is applied, which involve a high degree of judgement and estimation.

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.

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

4. Finance income

	2015 £'000	2014 £'000
Interest on intra-group loans	-	83,671
Interest on bank deposits/balances	-	1
Interest received from Eversholt Rail (UK) Limited	**83,928**	34
	83,928	83,706

5. Finance expense

	2015 £'000	2014 £'000
Interest payable on bank loans	**(1,801)**	(2,425)
Interest payable on derivative financial instruments	**(6,059)**	(6,013)
Interest payable on bonds	**(76,042)**	(75,233)
Fees payable	**(117)**	(189)
Interest paid to Eversholt Rail (UK) Limited	**(800)**	-
	(84,819)	(83,860)

6. Administrative expense

Administrative expenses include the following:	2015 £'000	2014 £'000
Fees payable to the company's auditor for the audit of the company's annual financial statements	**(10)**	(10)

The Company has no employees and hence no staff costs.

7. Directors' emoluments

Non-executive directors

	2015 £'000	2014 £'000
Directors' fees	**(25)**	(24)

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	2015 £'000	2014 £'000
Current tax			
UK Corporation tax on current year loss		**4,985**	39
Deferred tax			
Origination and reversal of temporary differences	*10*	**(5,279)**	9,743
Total income tax (charge)/credit		**(294)**	9,782

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

8. Income tax (charge)/credit (continued)

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

	2015 £'000	2014 £'000
Taxation at corporation tax rate of 20.25% (2014: 21.50%)	**1,463**	10,513
Change in tax rates	**(1,754)**	(731)
Prior year adjustment	**(3)**	-
Income tax (charge)/credit	**(294)**	9,782

9. Dividends

For the year ended 31 December 2015 no dividend has been paid or declared (2014: Nil).

10. Deferred tax asset

Deferred tax arises on timing differences created by unrealised changes in the fair value of derivative financial instruments.

	2015 £'000	2014 £'000
Balance at beginning of the year	**21,449**	11,706
Amount arising from temporary differences	**(3,525)**	10,470
Change in tax rates	**(1,754)**	(727)
Balance at end of the year	**16,170**	21,449

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: 21.50%).

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.

11. Amounts owed by/(to) group undertakings

	2015 £'000	2014 £'000
Current assets		
Eversholt Rail (UK) Limited	**20,000**	35,000
Intercompany accrued interest	**14,226**	13,174
	34,226	48,174
Non-current assets		
Eversholt Rail (UK) Limited	**1,340,000**	1,350,000
	1,340,000	1,350,000
	1,374,226	1,398,174

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

	2015 £'000	2014 £'000
Non-current liabilities		
Eversholt Rail (UK) Limited	**34,951**	8,873

The intragroup working capital loan with Eversholt Rail (UK) Limited is classified as non-current as it is repayable on or before 4 November 2018. 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).

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

12. Derivative financial instruments

	2015 £'000	2014 £'000
Current		
Interest rate swaps – assets	860	-
Non-current		
Interest rate swaps – liabilities	88,805	107,243

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

During the year ended 31 December 2015, none of the swaps were designated in hedge accounting relationships. (2014: None).

The fair value of derivative financial instruments was based on market rates on 31 December 2015.

13. Cash and cash equivalents

Cash and cash equivalents are analysed as:

	2015 £'000	2014 £'000
Bank balances	500	500

£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

	2015 £'000	2014 £'000
Fees and other payables accrued	372	40

15. Borrowings

	2015 £'000	2014 £'000
Current		
Bank loans	20,000	35,000
Interest accrued	14,226	13,174
Transaction costs	(1,622)	(1,762)
	32,604	46,412
Non-current		
Bank loans	-	100,000
Bonds	1,340,000	1,250,000
Transaction costs	(9,701)	(9,673)
	1,330,299	1,340,327
	1,362,903	1,386,739

Costs directly attributable to borrowings are capitalised and recognised in the Income Statement using the effective interest rate method.

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

15. Borrowings (continued)

The current bank loan is a drawing under a revolving credit facility that is technically repayable and redrawn on each interest payment date.

Bond principal amount	**Due date**	**Interest rate Semi-annual coupon**
£300m	2020	5.8%
£400m	2025	6.4%
£400m	2021-2035	6.7%
£100m	2028-2036	LIBOR+margin
£90m	2030	Fixed rate
£50m	2028-2036	Fixed rate

None of the bonds are puttable.

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

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

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

Maturity of borrowings

The maturity profile of the carrying amount of Company's non-current borrowings at 31 December 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	300,000	100,000
In more than five years	1,040,000	1,250,000
	1,340,000	1,350,000

16. Share capital

	2015 £'000	**2014 £'000**
Authorised, allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	50	50

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

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

17. Risk management

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

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

Capital risk management

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

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

Credit risk management

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

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its cash flow requirements on a daily basis and compares expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. The Company manages a revolving credit facility to ensure that there is adequate headroom to meet all of the Group's cashflow obligations as they fall due.

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

31 December 2015	Carrying value £'000	Contractual cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
Financial assets						
Held to maturity financial instruments						
- Derivative financial instruments	860	1,671		571	1,100	-
Loans and receivables						
- Intercompany term loans	1,374,226	2,228,603		100,123	630,213	1,498,267
Cash and cash equivalents	500	500		-	-	500
Total Financial assets	1,375,586	2,230,774		100,694	631,313	1,498,767
Financial liabilities						
Held to maturity financial instruments						
- Derivative financial instruments	88,805	37,621		5,836	31,785	-
Borrowings and payables						
- Borrowings	1,374,226	2,228,603		100,123	630,213	1,498,267
- Intercompany working capital	34,951	34,951		-	34,951	-
- Trade and other payables	372	372		372	-	-
Total Financial liabilities	1,498,354	2,301,547		106,331	696,949	1,498,267
Total Financial Instruments	(122,768)	(70,773)		(5,637)	(65,636)	500

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

17. Risk management (continued)

Liquidity risk management (continued)

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

	Carrying value £'000	Contractual cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
31 December 2014						
Financial assets						
Loans and receivables						
- Intercompany term loans	1,398,174	2,263,128	-	112,046	411,812	1,739,270
- Intercompany working capital						
Cash and cash equivalents	500	500	-	-	-	500
Total Financial assets	1,398,674	2,263,628	-	112,046	411,812	1,739,770
Financial liabilities						
Held to maturity financial instruments						
- Derivative financial instruments	107,243	116,335	-	5,902	52,237	58,196
Non-derivative instruments – amortised cost						
- Trade and other payables	40	40	-	40	-	-
- Intercompany working capital	8,873	8,873	-	-	8,873	-
- Borrowings	1,398,174	2,263,128	-	112,046	411,812	1,739,270
Total Financial liabilities	1,514,330	2,388,376	-	117,988	472,922	1,797,466
Total Financial instruments	(115,656)	(124,748)	-	(5,942)	(61,110)	(57,696)

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.

	2015 £'000	2014 £'000
Financial liabilities – Fixed Rate	**(1,240,000)**	(1,150,000)
Financial liabilities – Fixed by interest rate hedging	**(120,000)**	(235,000)
Financial liabilities – Intra group loan	**(34,951)**	(8,873)
Financial assets – Fixed Rate	**1,240,000**	1,150,000
Financial assets – Fixed by interest rate hedging	**120,000**	235,000
Financial assets – Floating rate	**-**	-

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 £635,167 offset by a decrease of £635,167 in intercompany term lending interest receipt, decrease in intercompany working capital interest received of £6,911 and an increase in cash deposit interest received of £2,500. A 50 basis points upwards parallel shift in the yield curve would have led to a decrease in negative fair value adjustment (loss) of £3,009,171 in the derivative financial instruments.

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

17. Risk management (continued)

Market risk management

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

18. Financial Instruments

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

31 December 2015	Note	Carrying amount £'000	Fair value Level 1 £'000	Fair value Level 2 £'000	Fair value Level 3 £'000
Financial assets					
Held to maturity financial instruments					
- Derivative financial instruments	12	860	-	860	-
Loans and receivables					
- Intercompany loan receivables (publicly traded bonds)	11	1,100,000	-	1,350,786	-
- Intercompany loan receivables (other)	11	274,226			
Cash and cash equivalents	13	500			
Total Financial assets		1,375,586			
Financial liabilities					
Held to maturity financial instruments					
- Derivative financial instruments	12	88,805	-	88,805	-
Non-derivative instruments – amortised cost					
- Publicly traded bonds	15	1,100,000	1,350,786	-	-
- Other borrowings	15	274,226			
- Intercompany working capital loan	11	34,951			
- Trade and other payables	14	372			
Total Financial liabilities		1,498,354			
Total Financial instruments		(122,768)			

31 December 2014	Note	Carrying amount £'000	Fair value Level 1 £'000	Fair value Level 2 £'000	Fair value Level 3 £'000
Financial assets					
Held to maturity financial instruments					
- Derivative financial instruments	12	-			
Loans and receivables					
- Intercompany loan receivables (publicly traded bonds)	11	1,100,000	-	1,381,713	-
- Intercompany loan receivables (other)	11	298,174			
Cash and cash equivalents	13	500			
Total Financial assets		1,398,674			
Financial liabilities					
Held to maturity financial instruments					
- Derivative financial instruments	12	107,243	-	107,243	-
Non-derivative instruments – amortised cost					
- Publicly traded bonds	15	1,100,000	1,381,713	-	-
- Other Borrowings	15	298,174			
- Intercompany working capital loan	11	8,873			
- Trade and other payables	14	40			
Total Financial liabilities		1,514,330			
Total Financial instruments		(115,656)			

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

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

19. Related-party transactions

19.1 Identity of related parties

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

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

The ultimate parent undertaking (which is the ultimate controlling party) is CK Hutchison Holdings Limited. It was previously Eversholt Investment Group (Luxembourg) s.a.r.l. 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 Finance Holdings 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

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

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 (2014: £15,000). The Company paid management fees to Eversholt Investment Ltd of £10,000 (2014: £10,000).

Preferred Equity Certificates	**MB Kenny**
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

On 21 January 2016 the Group signed contracts with Arriva Rail North Limited and Constucciones y Auxiliar de Ferrocarriles to purchase and lease new diesel and electric rolling stock for the new Northern rail franchise.