Eversholt Rail Holdings (UK) Limited

Annual Financial Statements
for the year ended 31 December 2014

Registered No: 4415647

Annual financial statements
for the year ended 31 December 2014

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for the year ended 31 December 2014

Business review

Eversholt Rail Holdings (UK) Limited (the "Company"), is incorporated and domiciled in England and Wales. The Company forms part of the Eversholt Rail Group ("ERG" or "Group") more fully described in note 13.

The Company is an investment holding company and is funded principally by group undertakings through borrowings.

The Company has no employees.

Risk management

The Company has established financial risk management objectives and policies. These objectives, together with an analysis of the exposure to such risks, are set out in note 12 of the financial statements.

The principal business risk for the Company is the risk of diminution in the value of the investment in subsidiaries.

Performance

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

Signed on behalf of the Board by:

M B Kenny
Director

Registered Office
210 Pentonville Road
London
N1 9JY

24 February 2015

Directors' report
for the year ended 31 December 2014

Future developments

The Company will continue to act as an investment holding company.

Dividends

On 22 December 2014 the Directors declared dividends of £20,000,000 (2013: nil).

Going concern basis

The financial statements are prepared on the going concern basis, because the Directors are satisfied that the Company, through the support of the Group and expected future dividend receipts from subsidiaries, has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions.

Directors

The Directors who served during the year were as follows:

M B Kenny	
A J Course	
F I Maroudas	Resigned 19 March 2014
D G Stickland	Appointed 12 November 2014

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions in accordance with the provision of the Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors. The Directors have no interests in the share capital of the Company, their interests in the holding company are more fully described in note 13.

Capital management

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

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

Disclosure of information to the auditor

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

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

Auditor

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

Signed on behalf of the Board by:

M B Kenny
Director

Registered Office
210 Pentonville Road
London
N1 9JY

Date: 24 February 2015

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

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

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

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

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

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

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

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

M B Kenny
Director

Registered Office
210 Pentonville Road
London
N1 9JY

Independent Auditor's report to the Members of Eversholt Rail Holdings (UK) Limited

for the year ended 31 December 2014

We have audited the financial statements of Eversholt Rail Holdings (UK) Limited for the year ended 31 December 2014 set out on pages 7 to 20. 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 website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its 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)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

25 February 2015

Income statement
for the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Dividend income	4	34,800	6,650
Finance expense	5	(7,492)	(6,434)
Administrative expense	6	(2)	(2)
Profit before tax		27,306	214
Income tax credit	8	1,611	1,496
Profit for the year		28,917	1,710

There were no discontinued or discontinuing operations during the year.

The notes on pages 11 to 20 form an integral part of these financial statements.

Statement of comprehensive income
for the year ended 31 December 2014

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

Statement of financial position
as at 31 December 2014

	Note	2014 £'000	2013 £'000
Assets			
Non-current assets			
Investment in subsidiaries	9	**105,102**	105,102
Current assets			
Current tax		**844**	777
Total assets		**105,946**	105,879
Liabilities and equity			
Current liabilities			
Borrowings	10	-	34,102
Trade and other payables		**1**	-
		1	34,102
Non-current liabilities			
Borrowings	10	**105,932**	80,681
Total liabilities		**105,933**	114,783
Equity			
Share capital	11	-	-
Retained earnings/(accumulated deficit)		**13**	(8,904)
Total equity		**13**	(8,904)
Total equity and liabilities		**105,946**	105,879

The notes on pages 11 to 20 form an integral part of these financial statements.

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

D G Stickland
Director

Company registration number 4415647

Statement of cash flows
for the year ended 31 December 2014

	2014 £'000	2013 £'000
Cash flow from operating activities		
Profit before tax	**27,306**	214
Adjustments for:		
-Finance charges	**7,492**	6,434
-Dividends receivable	**(34,800)**	(6,650)
Operating cash flow before changes in working capital	**(2)**	(2)
Increase in trade and other payables	**1**	-
Cash utilised in operating activities	**(1)**	(2)
Receipt in respect of group relief	**1,544**	1,505
Net cash generated by operating activities	**1,543**	1,503
Cash flow from investing activities		
Dividends received	**34,800**	6,650
Cash generated by investing activities	**34,800**	6,650
Cash flow from financing activities		
Movement in working capital loan account	**72,895**	13,322
Loans raised	**-**	7,722
Loans repaid	**(81,746)**	(22,763)
Finance charges paid	**(7,492)**	(6,434)
Dividends paid	**(20,000)**	-
Net cash utilised in financing activities	**(36,343)**	(8,153)
Net movement in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the year	-	-
Cash and cash equivalents at end of the year	-	-

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

	Share capital £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance at 1 January 2013	-	(10,614)	(10,614)
Profit for the year	-	1,710	1,710
Balance at 31 December 2013	-	**(8,904)**	**(8,904)**
Profit for the year		28,917	28,917
Dividends paid	-	(20,000)	(20,000)
Balance at 31 December 2014	-	**13**	**13**

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

1. General Information

Eversholt Rail Holdings (UK) Limited (the "Company"), is a company incorporated and domiciled in England and Wales. The Company forms part of the Eversholt Rail Group more fully described in note 13.

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

2. Basis of Preparation

These financial statements are presented in £'000. In 2014, the financial statements have been converted from £ to £'000. All amounts have been rounded to the nearest thousand, unless otherwise indicated. In the opinion of the Directors, the conversion was required to become clearer to the reader of these financial statements.

The Company is exempt from the requirement to prepare consolidated financial statements by section 400 of the Companies Act 2006. These financial statements present information about the Company as an individual undertaking.

2.1 Compliance with International Financial Reporting Standards

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

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

The Company is exempt from the requirement to prepare group financial statements.

2.2 Standards and interpretations issued by the IASB

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

- IFRS 14 Regulatory Deferral Accounts (mandatory for periods beginning on or after 1 January 2016).
- Amendments to IFRS 11 Joint Arrangements (mandatory for periods beginning on or after 1 January 2016).
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (mandatory for periods beginning on or after 1 January 2016).
- Amendments to IAS 27 Consolidated and Separate Financial Statements (2008) (mandatory for periods beginning on or after 1 January 2016).
- IFRS 15 Revenue from Contracts with Customers (mandatory for periods beginning on or after 1 January 2017).
- IFRS 9 Financial Instruments (mandatory for periods beginning on or after 1 January 2018).

2. Basis of Preparation (continued)

2.3 Going concern

The financial statements have been prepared on the going concern basis because the Directors are satisfied that the Company, through the support of the Group and expected future dividend receipts from subsidiaries, has the resources to continue in business 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 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 Income tax

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

Current tax is the tax expected to be recoverable on the taxable loss 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.

3.3 Dividend income

Dividend income from investments is recognised when the right to receive payment is established.

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

3. Summary of significant accounting policies (continued)

3.4 Subsidiaries

The Company classifies investments in entities which it controls as subsidiaries. The Company's investments in subsidiaries are stated at cost less any impairment losses. Any impairment loss recognised in prior periods shall be reversed through the income statement if, and only if, there has been a change in the estimates used to determine the investment in subsidiary's recoverable amount since the last impairment loss was recognised.

3.5 Financial instruments

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

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

3.5.1 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.

3.5.2 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.

3.5.3 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.

3.5.4 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.

3. Summary of significant accounting policies (continued)

3.5 Financial instruments (continued)

3.5.4 Impairment of financial assets (continued)

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.

3.5.5 Offsetting financial assets and financial liabilities

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

3.5.6 Determination of fair value

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

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

3.6 Statement of cash flows

The statement of cash flows has been prepared on the basis that, with the exception of tax related transactions which are classified under 'Operating activities', movements in intercompany transactions are shown under the heading of 'Financing activities'. Such movements arise ultimately from the Company's financing activities, through which the Company will acquire resources intended to generate future income and cash flows.

3.7 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.

3.8 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 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.

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

4. Dividends

On 22 December 2014, the company received dividend income of £27,300,000, £4,000,000 and £3,500,000 from Eversholt Rail (UK) Limited, Eversholt Depot Finance (UK) Limited and Eversholt Rail (380) Limited respectively (2013: £6,650,000).

On 22 December 2014, the company paid dividends of £20,000,000 to European Rail Finance (GB) Limited.

5. Finance expense

	2014 £'000	2013 £'000
Interest payable to Eversholt Rail (UK) Limited	**(7,276)**	(524)
Interest payable to Eversholt Funding plc	**-**	(5,278)
Finance charges payable to Eversholt Funding plc	**(216)**	(632)
	(7,492)	(6,434)

6. Administrative expense

Administrative expenses include the following:

Fees payable to the company's auditor for the audit of the company's annual accounts	**(2)**	(2)

The Company has no employees and hence no staff costs (2013: nil).

7. Directors' emoluments

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

8. Income tax credit

	2014 £'000	2013 £'000
Current tax		
UK Corporation tax on current year profit	**1,611**	1,496
Total income tax credit	**1,611**	1,496

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

	2014 £'000	2013 £'000
Taxation at corporation tax rate of 21.5% (2013: 23.25%)	**(5,871)**	(50)
Non-taxable income	**7,482**	1,546
Income tax credit	**1,611**	1,496

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

8. Income tax credit (continued)

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

As a result of this reduction the company's future current tax charge will reduce accordingly.

9. Investment in subsidiaries

	2014 £'000	2013 £'000
Cost		
Balance at 1 January and 31 December	**105,102**	105,102

The subsidiary undertakings of the Company at the end of the reporting period were:

Name of Undertaking	Class of Capital	Country of Incorporation	Type of business	Ownership Percentage 2014	Ownership Percentage 2013
Eversholt Rail (UK) Limited	Ordinary Shares	England and Wales	Management services	100	100
Eversholt Depot Finance (UK) Limited	Ordinary Shares	England and Wales	Leasing	100	100
Eversholt Rail (365) Limited	Ordinary Shares	England and Wales	Leasing	100	100
Eversholt Rail (380) Limited	Ordinary Shares	England and Wales	Leasing	100	100

10. Borrowings

31 December 2014

	Current £'000	Non-current £'000	Total £'000
Eversholt Rail (UK) Limited	-	**105,932**	**105,932**
Eversholt Funding plc	-	-	-
	-	**105,932**	**105,932**

31 December 2013

	Current £'000	Non-current £'000	Total £'000
Eversholt Rail (UK) Limited	33,037	-	33,037
Eversholt Funding plc	1,065	80,681	81,746
	34,102	80,681	114,783

In 2014, the terms of intragroup funding arrangements were revised to more closely align with the terms of the Group's external financing. The intragroup loan with Eversholt Rail UK Limited is classified as non-current as it is repayable on 4 November 2018 (2013: the loans were unsecured and repayable in line with Eversholt Funding plc' own external debt). Borrowing entities may prepay and redraw loans until the repayment date. Interest on the loan is payable monthly at a floating rate, which substantially matches the rate of the group's senior debt, plus margin (2013: margin plus GBP LIBOR).

Intercompany loan with Eversholt Funding plc matched repayment terms of Eversholt Funding plc's own external debt, but was repaid during the year. Interest on that loan was charged at margin plus GBP LIBOR.

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

10. Borrowings (continued)

Maturity of borrowings

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

	Eversholt Rail (UK) Limited £'000	Eversholt Funding plc £'000	2014 Total £'000	2013 Total £'000
In more than one year but not more than two years	-	-	-	-
In more than two years but not more than five years	105,932	-	105,932	6,657
In more than five years	-	-	-	74,024
	105,932	-	105,932	80,681

11. Share capital

	2014 £	2013 £
Authorised, called up and fully paid		
1 Ordinary share of £1 each	1	1

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

12. Risk management

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 costs and risks associated with each class of capital and to maximising the return to stakeholders through the optimisation of the debt to equity ratio.

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

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 will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. In light of this the Company will borrow funds as and when required from a fellow group undertaking.

The Company's assets, net of deferred tax, are funded principally by borrowings from another group undertaking.

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

12. Risk management (continued)

The following is an analysis of undiscounted cash flows by remaining contractual maturities at the end of the reporting period:

	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 liabilities						
Non-derivative instruments – amortised cost						
- Borrowings	(105,932)	(105,932)	-	-	(105,932)	-
- Trade and other payables	(1)	(1)	-	(1)	-	-
Total financial instruments	(105,933)	(105,933)	-	(1)	(105,932)	-
	£'000	£'000	£'000	£'000	£'000	£'000
31 December 2013						
Financial liabilities						
Non-derivative instruments – amortised cost						
- Borrowings	(114,783)	(174,580)	(34,102)	(6,090)	(27,303)	(107,085)
Total financial instruments	(114,783)	(174,580)	(34,102)	(6,090)	(27,303)	(107,085)

Intercompany loans which have terms based on the terms of external bonds issued by Eversholt Funding plc have been repaid during the year and have a carrying value of £nil (2013: £74,023,935) and a fair value of £nil (2013: £92,731,208) and fell into the level two of fair value measurement hierarchy.

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

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

Market risk management

Foreign currency risk

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

Interest rate risk

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

	2014 £'000	2013 £'000
Financial liabilities		
Fixed rate instruments	-	(74,024)
Variable rate instruments	(105,932)	(40,759)

Interest rate Sensitivity Analysis

The impact of a 50 basis points increase in GBP LIBOR would have resulted in a decrease in Intercompany working capital interest expenses of £42,475.

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

13. Related-party transactions

13.1 Identity of related parties

The Company has a related party relationship with its directors (refer page 3) and with other entities in the Eversholt Rail Group, namely:

- Eversholt Investment Limited
- European Rail Finance Holdings Limited
- European Rail Finance Limited
- Eversholt Finance Holdings Limited
- Eversholt Funding plc
- Eversholt Rail (UK) Limited
- European Rail Finance (GB) 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 European Rail Finance (GB) Limited. The results of the Company are included in the group financial statements of Eversholt Investment Limited.

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

Newmount House
22-24 Lower Mount Street
Dublin 2
Ireland

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

13. Related-party transactions (continued)

13.2 Transactions with related parties

Dividend income and dividends paid are more fully described in note 4. Interest payable on these loans is more fully described in note 5. The Company has loans with related parties, more fully described in note 10.

Finance charges payable to Eversholt Funding plc and Eversholt Rail (UK) limited are disclosed in note 5.

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

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

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

14. Contingent liabilities

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

15. Subsequent events

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