

# **Eversholt Rail (UK) Limited**

**Annual Financial Statements**  
for the year ended 31 December 2013

**Registered No: 06953114**

**Annual Financial Statements**

for the year ended 31 December 2013

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## Strategic report

for the year ended 31 December 2013

### Business Review

Eversholt Rail (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 24.

During the year the Company continued to provide support services to the Group including managing the maintenance of rolling stock, seeking new business, negotiating and agreeing terms and arranging the execution of all lease documents on behalf of the Group.

### Risk management

Underpinning all of the Group's activities is the primary requirement to effectively manage safety risks and the risk that issues for which the Group is responsible could lead to a safety incident. The Company employs competent engineers to manage safety risks in accordance with guidance provided by specialists who monitor safety performance and legislative requirements.

The principal commercial risk for the Company arises in respect of its fixed rate, long term maintenance contracts. This risk is managed by close monitoring of maintenance expenditure incurred.

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 23 of the financial statements.

### Performance

The Company's results for the year 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 cash flows in comparison with the planned cash flows. Monthly management accounts are prepared and reviewed by the Directors.

Signed on behalf of the Board by:



**M B Kenny**  
Director

Registered Office  
210 Pentonville Road  
London  
N1 9JY

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

On 28 June 2013 the Directors declared a dividend of £1,800,000 (year ended 31 December 2012: nil). Dividend payments are reflected in the financial statements in the period in which they are declared.

### Going concern basis

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

### Directors

The Directors who served during the year were as follows:

M B Kenny	
S F Purves	Resigned 31 May 2013
A J Course	Appointed 31 May 2013
F I Maroudas	Appointed 2 September 2013

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 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 24.

### Capital management

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

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

### Disclosure of information to the auditor

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

**Directors' report (continued)**

for the year ended 31 December 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

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 IFRSs as adopted by the 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 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:



**M B Kenny**  
Director

Registered Office  
210 Pentonville Road  
London  
N1 9JY

**Independent Auditor's Report to the Members of Eversholt Rail (UK) Limited**  
for the year ended 31 December 2013

We have audited the financial statements of Eversholt Rail (UK) Limited for the year ended 31 December 2013 set out on pages 7 to 31. 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](http://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)**  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
*Chartered Accountants*

26 February 2014

One Snowhill  
Snow Hill Queensway  
Birmingham B4 6GH

**Income statement**

for the year ended 31 December 2013

		2013	2012 (restated)
	<i>Note</i>	£	£
<b>Revenue</b>			
Maintenance income		51,181,395	62,350,132
Service charge income		13,226,702	13,088,710
Other income		962,885	269,794
<b>Total income</b>		<u>65,370,982</u>	<u>75,708,636</u>
Maintenance expense		<u>(45,556,179)</u>	<u>(54,072,470)</u>
<b>Gross Profit</b>		<b>19,814,803</b>	21,636,166
Finance income	4	1,504,275	1,373,500
Finance expense	5	(2,486,309)	(823,853)
Pension finance credit	22	11,000	12,000
		<u>18,843,769</u>	<u>22,197,813</u>
Administrative expense	6	<u>(17,097,430)</u>	<u>(13,545,775)</u>
<b>Profit before tax</b>		<b>1,746,339</b>	8,652,038
Income tax credit	9	278,970	107,020
<b>Profit for the year</b>		<u><b>2,025,309</b></u>	<u>8,759,058</u>

There were no acquisitions, discontinued or discontinuing operations during the year.

The notes on pages 11 to 31 form an integral part of these financial statements.

**Statement of comprehensive income**

for the year ended 31 December 2013

		2013	2012 (restated)
	<i>Note</i>	£	£
Profit for the year		2,025,309	8,759,058
<b>Other comprehensive (expense)/income</b>			
Actuarial (losses)/gains on defined benefit scheme	22.5	(375,000)	89,000
Tax in respect of actuarial losses on defined benefit scheme		78,350	(19,132)
<b>Total comprehensive income for the year</b>		<u><b>1,728,659</b></u>	<u>8,828,926</u>

The prior year figures have been restated following the change in accounting policy in respect of the defined benefit pension scheme (see note 2.3 for further details).



**Statement of financial position**

as at 31 December 2013

	Note	2013 £	2012 (restated) £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	1,228,339	1,377,578
Deferred tax	19	348,277	141,988
		<u>1,576,616</u>	<u>1,519,566</u>
<b>Current assets</b>			
Inventory	12	1,791,567	2,021,812
Trade and other receivables	13	9,210,042	23,354,721
Loans receivable	14	719,928,987	703,778,771
Cash and cash equivalents	15	60,449,090	113,875,705
Current tax		84,958	-
		<u>791,464,644</u>	<u>843,031,009</u>
<b>Total assets</b>		<u>793,041,260</u>	<u>844,550,575</u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	16	9,375,647	9,811,106
Current tax		-	2,420,953
Borrowings	17	648,116,090	695,276,720
Provisions	18	167,124	83,562
		<u>657,658,861</u>	<u>707,592,341</u>
<b>Non-current liabilities</b>			
Borrowings	17	1,798,350	1,798,350
Provisions	18	-	83,562
Deferred revenue	20	14,615,635	16,036,567
		<u>16,413,985</u>	<u>17,918,479</u>
<b>Total liabilities</b>		<u>674,072,846</u>	<u>725,510,820</u>
<b>Equity</b>			
Share capital	21	100,000,002	100,000,002
Retained earnings		18,968,412	19,039,753
<b>Total equity</b>		<u>118,968,414</u>	<u>119,039,755</u>
<b>Total equity and liabilities</b>		<u>793,041,260</u>	<u>844,550,575</u>

The prior year figures have been restated following the change in accounting policy in respect of the defined benefit pension scheme (see note 2.3 for further details).

The notes on pages 11 to 31 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: 06953114

**Statement of cash flows**

for the year ended 31 December 2013

	<i>Note</i>	2013 £	2012 (restated) £
<b>Cash flow from operating activities</b>			
Profit before tax		1,746,339	8,652,038
Adjustments for:			
- Depreciation		479,064	450,151
- Loss on disposal of property, plant and equipment		19,959	-
- Adjustment for non-cash element of pension charge		59,000	(51,000)
<b>Operating cash flow before working capital</b>		<u>2,304,362</u>	9,051,189
- Change in inventory		230,245	230,246
- Decrease/(increase) in trade and other receivables		14,010,678	(286,553)
- Decrease in trade and other payables		(735,459)	(1,719,913)
- Decrease in deferred revenue		(1,420,932)	(5,705,351)
- Change in provision		-	(72,001)
<b>Cash flow generated by operating activities</b>		<u>14,388,894</u>	1,497,617
Tax paid		(2,354,880)	(31,137)
<b>Net cash flow generated by operating activities</b>		<u>12,034,014</u>	<u>1,466,480</u>
<b>Cash flow from investing activities</b>			
Acquisition of property, plant and equipment		(349,784)	(104,116)
<b>Net cash utilised in investing activities</b>		<u>(349,784)</u>	<u>(104,116)</u>
<b>Cash flow from financing activities</b>			
Movement in working capital loan accounts		(63,310,845)	(25,853,470)
Dividend paid		(1,800,000)	-
Borrowings repaid		-	(15,798,350)
Borrowings raised		-	1,798,350
<b>Net cash utilised in financing activities</b>		<u>(65,110,845)</u>	<u>(39,853,470)</u>
Net decrease in cash and cash equivalents		<u>(53,426,615)</u>	(38,491,106)
Cash and cash equivalents at beginning of the year		113,875,705	152,366,811
Cash and cash equivalents at end of the year	15	<u>60,449,090</u>	<u>113,875,705</u>

The prior year figures have been restated following the change in accounting policy in respect of the defined benefit pension scheme (see note 2.3 for further details).

**Statement of changes in equity**

for the year ended 31 December 2013

	Share capital £	Retained earnings £	Total shareholders' equity £
<b>Balance at 1 January 2012 as previously reported</b>	<b>100,000,002</b>	<b>10,577,577</b>	<b>110,577,579</b>
Impact of change in accounting policy (note 2.3)	-	(366,750)	(366,750)
<b>Restated balance at 1 January 2012</b>	<b>100,000,002</b>	<b>10,210,827</b>	<b>110,210,829</b>
Profit for the year (restated)	-	8,759,058	8,759,058
Actuarial gain on defined benefit scheme after tax (restated)	-	69,868	69,868
<b>Restated balance at 31 December 2012</b>	<b>100,000,002</b>	<b>19,039,753</b>	<b>119,039,755</b>
Profit for the year	-	2,025,309	2,025,309
Dividend paid	-	(1,800,000)	(1,800,000)
Actuarial losses on defined benefit scheme after tax	-	(296,650)	(296,650)
<b>Balance at 31 December 2013</b>	<b>100,000,002</b>	<b>18,968,412</b>	<b>118,968,414</b>



## Notes to the Annual Financial Statements

for the year ended 31 December 2013

### 1 General Information

Eversholt Rail (UK) Limited (the "Company") is a company incorporated and domiciled in England and Wales. The registered office of the Company is 210 Pentonville Road, London, N1 9JY.

### 2 Basis of Preparation

These financial statements are presented in 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 Rail (UK) Limited have been prepared on the historical cost basis. These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU'). EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at this point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 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 of the Company 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.

- 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).
- 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**

for the year ended 31 December 2013

**2. Basis of Preparation (continued)****2.3 Change in accounting policy**

The Company adopted IAS 19 (Revised) Employee Benefits from 1 January 2013. As a result of IAS 19 (Revised), the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit plans. Under previous IAS 19, interest cost on the defined benefit obligation and an expected return on plan assets were recognised in the Income Statement within finance cost and finance income respectively. Under IAS 19R, these two amounts have been replaced by a single measure called 'net interest' calculated on the net defined benefit liability/(asset). This change affects the difference between actual and expected returns on plan assets, which is recognised in full within OCI as part of remeasurements. The amended standard introduced changes to the accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and changes to the recognition and measurement of termination benefits. The amendments to the standard have provided clarification on a number of issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk sharing and conditional indexation features. In accordance with the requirements of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) the change has been made retrospectively and the comparative financial information in the income statement and OCI has been restated for the year ended 2012 accordingly. The effect of the above on the Income Statement was that the pension service cost (included in administrative expenses) has increased by £44,000 and the pension finance credit has reduced by £362,000. The actuarial loss of £946,000 recorded in the statement of comprehensive income has been replaced by an actuarial gain of £89,000. The retirement benefit obligation at 31 December 2012 of £6,000 has been replaced by a retirement benefit asset of £134,000. At 1 January 2012 the retirement benefit asset of £489,000 has been reduced to £nil and the associated deferred tax liability of £122,250 has been reduced to £nil. As a result of the above, the tax credit in the income statement has increased by £96,297 and the deferred tax credit in OCI has decreased by £250,747. The effect on the cash flow statement of the amended standard was an adjustment to profit before tax of £406,000 and the operating reconciling items. There was no effect on the net cash from operating activities. The effect on the statement of changes in equity of the amended standard was an adjustment to retained earnings, as explained above. Had the Company not adopted IAS19 (Revised), total defined benefit liability would have been £818,000 as of 31 December 2013 and for the year ended 31 December 2013 the employer's share of pension expense would have been £176,000.

**Summary of quantitative impact**

The following table summarises the impact of the above change on the Company's financial position, comprehensive income and cash flows.

	As previously reported £	Change in accounting policy £	As restated £
<b>Statement of financial position</b>			
Deferred tax	174,188	(32,200)	141,988
Trade and other receivables	23,220,721	134,000	23,354,721
Others	821,053,866	-	821,053,866
<b>Total assets</b>	<b>844,448,775</b>	<b>101,800</b>	<b>844,550,575</b>
Trade and other payables	9,817,106	(6,000)	9,811,106
Others	715,699,714	-	715,699,714
<b>Total liabilities</b>	<b>725,516,820</b>	<b>(6,000)</b>	<b>725,510,820</b>
Share capital	100,000,002	-	100,000,002
Retained earnings	18,931,953	107,800	19,039,753
<b>Total equity</b>	<b>118,931,955</b>	<b>107,800</b>	<b>119,039,775</b>

**Notes to the Annual Financial Statements**

for the year ended 31 December 2013

**2. Basis of Preparation (continued)****2.3 Change in accounting policy (continued)**

	As previously reported £	Change in accounting policy £	As restated £
<b>Income statement</b>			
Gross profit	21,636,166	-	21,636,166
Pension finance credit	374,000	(362,000)	12,000
Administrative expenses	(13,501,775)	(44,000)	(13,545,775)
Others	549,647	-	549,647
<b>Profit before tax</b>	<b>9,058,038</b>	<b>(406,000)</b>	<b>8,652,038</b>
Income tax credit	10,723	96,297	107,020
<b>Profit for the year</b>	<b>9,068,761</b>	<b>(309,703)</b>	<b>8,759,058</b>
<b>Statement of comprehensive income</b>			
Profit for the year	9,068,761	(309,703)	8,759,058
Other comprehensive income:			
Actuarial losses/gains	(946,000)	1,035,000	89,000
Tax in respect of actuarial losses	231,615	(250,747)	(19,132)
<b>Total comprehensive income for the year</b>	<b>8,354,376</b>	<b>474,550</b>	<b>8,828,926</b>
<b>Statement of cash flows</b>			
Profit before tax	9,058,038	(406,000)	8,759,038
Adjustments:			
Non-cash element of pension charge	(457,000)	406,000	(51,000)
Others	(7,103,421)	-	(7,103,421)
<b>Operating cash flows before working capital</b>	<b>9,051,189</b>	<b>-</b>	<b>9,051,189</b>

**2.4 Going concern**

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

**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 Maintenance income and costs**

Income received for the procurement of maintenance is recognised by reference to the timing of the related expenditure and is deferred to the extent that it relates to future maintenance procurement costs for the current contract.

Maintenance procurement costs are written off when incurred, except to the extent that they are in respect of future maintenance procurement costs during the current contract.

**3.2 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



## Notes to the Annual Financial Statements

for the year ended 31 December 2013

### 3 Summary of significant accounting policies (continued)

#### 3.2 Finance income and expense (continued)

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.

#### 3.3 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. 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 'Finance income'.

#### 3.4 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 period, 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.

#### 3.5 Property, plant and equipment

Equipment, fixtures and fittings are stated at cost less any impairment losses and depreciation calculated on a straight line basis to write off the assets over 5 years.

The depreciation charge is included within administrative expense in the Income statement.

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

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

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



## Notes to the Annual Financial Statements

for the year ended 31 December 2013

### 3 Summary of significant accounting policies (continued)

#### 3.5 Property, plant and equipment (continued)

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

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

#### 3.6 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:

##### 3.6.1 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.

##### 3.6.2 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 a year's maturity from the date of acquisition, and include cash.

##### 3.6.3 Impairment of financial assets

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

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

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

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

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



## Notes to the Annual Financial Statements

for the year ended 31 December 2013

### 3 Summary of significant accounting policies (continued)

#### 3.6 Financial instruments (continued)

##### 3.6.4 Financial liabilities

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

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

##### 3.6.5 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.

##### 3.6.6 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.

#### 3.7 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.

#### 3.8 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.

#### 3.9 Use of assumptions and estimates

In the application of the Company's accounting policies, the Directors 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.

## Notes to the Annual Financial Statements

for the year ended 31 December 2013

### 3 Summary of significant accounting policies (continued)

#### 3.9 Use of assumptions and estimates (continued)

##### Critical judgements in applying the Company's accounting policies.

The following are 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:

##### 3.9.1 Depreciation

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

##### 3.9.2 Valuation of defined benefit pension obligation

In making the assessment of the valuation of the defined benefit pension obligation, management have made a number of assumptions more fully described in note 22.

##### 3.9.3 Maintenance

The maintenance accounting model uses a number of assumptions including management forecasts of future maintenance activities.

#### 3.10 Retirement benefit obligations

The Company provides defined benefit and defined contribution schemes on behalf of directors and staff. The defined benefit scheme is funded by contributions partly from the employees and partly from the Company at rates assessed by independent actuaries. These contributions are invested separately from the Company's assets.

The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in the Income Statement.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The defined benefit liability recognised in the statement of financial position represents the fair value of plan assets less present value of defined benefit obligations adjusted for unrecognised past service costs. Any net defined benefit surplus is limited to unrecognised past service costs plus the present value of available refunds and reductions in future contributions to the plan.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.



## Notes to the Annual Financial Statements

for the year ended 31 December 2013

### 3 Summary of significant accounting policies (continued)

#### 3.11 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The provision is recognised as the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flow estimated to settle the present obligation, its carrying amount is the present value of these cash flows.

### 4 Finance income

	2013	2012
	£	£
Bank interest	1,500,004	1,372,741
Interest on Maintenance Reserve fund	4,271	759
	<u>1,504,275</u>	<u>1,373,500</u>

### 5 Finance expense

	2013	2012
	£	£
Finance charge payable to Eversholt Funding plc	1,737,821	573,106
Interest on working capital loans	726,841	244,165
Other interest	21,647	6,582
	<u>2,486,309</u>	<u>823,853</u>

### 6 Administrative expense

Administrative expenses include the following:

	2013	2012
	£	£
Depreciation - Premises & IT	479,064	450,151
- Inventory	230,245	-
Fees payable to the company's auditor for the audit of the company's annual accounts	20,536	20,536
Fees payable to the company's auditor and its associates for other services		
- Tax services	33,700	27,350
- Other services	24,750	22,805
Prepayments written off	1,891,618	3,058

During the year prepayments of £1,891,618 made to a supplier for maintenance services were written off as a result of the supplier going in to administration (year ended 31 December 2012: £3,058).

Depreciation on the value of inventories was previously recognised within cost of sales in the income statement (31 December 2012 : £230,246).

**Notes to the Annual Financial Statements**

for the year ended 31 December 2013

**7 Staff numbers and costs**

The average number of persons employed by the Company, including directors during the year was as follows:

	2013	2012
Directors	2	2
Operations	59	50
Administration	34	40
	<u>95</u>	<u>92</u>

The aggregate payroll costs of these persons were as follows:

	2013	2012 (restated)
	£	£
Wages and salaries	7,392,368	7,423,319
Social security costs	1,024,102	883,663
Contributions to defined contribution pension scheme	422,276	389,080
Defined benefit pension scheme service cost	399,000	383,000
	<u>9,237,746</u>	<u>9,079,062</u>

**8 Directors' emoluments**

	2013	2012
	£	£
Directors' emoluments for services to the Company	<u>907,410</u>	<u>890,834</u>
Number of directors who are members of a defined benefit pension scheme	<u>1</u>	<u>1</u>

The emoluments of the highest paid director, including benefits in kind were £400,463 (31 December 2012: £495,710).

The pension contributions paid by the Company in respect of the highest paid director for the year were £27,083 (31 December 2012: £33,377).

None of the Directors have any share options or interests in the share capital of the Company. Their interest in the holding company is more fully disclosed in note 24.

**9 Income tax credit**

	Note	2013	2012 (restated)
		£	£
<b>Current tax</b>			
UK Corporation tax on current year profit		(605,423)	(2,092,744)
Group relief for nil consideration		894,642	1,083,510
Adjustment in respect of prior year		(138,187)	987,719
		<u>151,032</u>	<u>(21,515)</u>
<b>Deferred tax</b>			
Origination and reversal of temporary differences	19	120,998	(27,023)
Adjustment in respect of prior year		6,940	101,512
		<u>127,938</u>	<u>128,535</u>
Total income tax credit		<u>278,970</u>	<u>107,020</u>



## Notes to the Annual Financial Statements

for the year ended 31 December 2013

### 9 Income tax credit (continued)

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

	2013	2012 (restated)
	£	£
Taxation at UK corporation tax rate at 23.25% (31 December 2012 of 24.5%)	<b>(405,964)</b>	(2,119,513)
Amounts not deductible for tax purposes	<b>(32,708)</b>	65,714
Group relief for no consideration	<b>894,642</b>	1,083,510
Adjustment in respect of prior year	<b>(131,247)</b>	1,089,231
Change in tax rates	<b>(45,753)</b>	(11,922)
Income tax credit	<b><u>278,970</u></b>	<b><u>107,020</u></b>

In addition to the amount charged to the income statement, the aggregate amount of current and deferred tax relating to components of other comprehensive income resulted in a £78,350 increase in total comprehensive income (year ended 31 December 2012: £19,132 decrease).

### 10 Dividends

For the year ended 31 December 2013 a dividend of £1,800,000 was paid on 28<sup>th</sup> June 2013 (year ended 31 December 2012 : nil).

### 11 Property, plant and equipment

	Fixtures and fittings	Equipment	Total
	£	£	£
<b>Cost</b>			
Balance at 1 January 2012	1,154,323	1,105,942	2,260,265
Additions	62,195	41,921	104,116
<b>Balance at 31 December 2012</b>	<b><u>1,216,518</u></b>	<b><u>1,147,863</u></b>	<b><u>2,364,381</u></b>
Additions	-	349,784	349,784
Disposals	(19,959)	-	(19,959)
<b>Balance at 31 December 2013</b>	<b><u>1,196,559</u></b>	<b><u>1,497,647</u></b>	<b><u>2,694,206</u></b>
<b>Depreciation</b>			
Balance at 1 January 2012	284,159	252,493	536,652
Charge for the year	228,824	221,327	450,151
<b>Balance at 31 December 2012</b>	<b><u>512,983</u></b>	<b><u>473,820</u></b>	<b><u>986,803</u></b>
Charge for the year	243,618	235,446	479,064
<b>Balance at 31 December 2013</b>	<b><u>756,601</u></b>	<b><u>709,266</u></b>	<b><u>1,465,867</u></b>
<b>Net carrying value</b>			
<b>Carrying value at 31 December 2013</b>	<b><u>439,958</u></b>	<b><u>788,381</u></b>	<b><u>1,228,339</u></b>
Carrying value at 31 December 2012	<u>703,535</u>	<u>674,043</u>	<u>1,377,578</u>

Depreciation in respect of the asset disposals during the year ended 31 December 2013 was £nil since these assets were disposed of on 1 January 2013.

**Notes to the Annual Financial Statements**

for the year ended 31 December 2013

**12 Inventory**

	2013 £	2012 £
Rolling stock spares	<u>1,791,567</u>	<u>2,021,812</u>

Write down in the value of inventories recognised within administrative expenses in the Income statement is an expense amounting to £230,245 (31 December 2012: £230,246). These costs were previously recognised within cost of sales.

**13 Trade and other receivables**

	2013 £	2012 (restated) £
<b>Receivable no later than one year:</b>		
Trade receivables	854,010	384,334
Other receivables	518,693	-
VAT	872,137	3,655,833
Maintenance prepayment	6,965,202	19,180,554
Retirement benefit asset	-	134,000
	<u>9,210,042</u>	<u>23,354,721</u>

**14 Loans receivable**

	2013 £	2012 £
European Rail Finance Holdings Limited	5,272	3,300
European Rail Finance (2) Limited	666,534,619	664,629,910
Eversholt Rail Holdings (UK) Limited	33,036,847	19,714,194
Eversholt Investment Limited	-	19,431,367
Eversholt Depot Finance (UK) Ltd	831,440	-
Eversholt Rail Finance (GB) Limited	19,520,809	-
	<u>719,928,987</u>	<u>703,778,771</u>

These loans are unsecured, have no fixed date for repayment and are therefore technically repayable on demand. Interest is charged at Libor plus a margin per annum (31 December 2012: Libor plus a margin).

**15 Cash and cash equivalents**

Cash and cash equivalents are analysed as:

	2013 £	2012 £
Interest bearing	<u>60,449,090</u>	<u>113,875,705</u>

All funds are held in bank deposit accounts and liquidity funds with a maximum term to maturity of less than a year as at 31 December 2013.

**Notes to the Annual Financial Statements**

for the year ended 31 December 2013

**16 Trade and other payables**

	2013	2012 (restated)
	£	£
Trade payables	2,169,048	3,712,865
Other payables	567,495	316,768
Maintenance and administrative accruals	6,339,104	5,781,473
Retirement benefit liabilities	300,000	-
	<u>9,375,647</u>	<u>9,811,106</u>

Included above are intercompany service charges received in advance of £45,000 (31 December 2012: £2,846,667).

**17 Borrowings**

	Current 2013	Non - current 2013	Current 2012	Non - current 2012
	£	£	£	£
European Rail Finance (GB) Limited	-	-	834,434	-
European Rail Finance Holdings Limited	431,540,798	-	446,080,423	-
European Rail Finance Limited	145,760,889	-	212,171,788	-
Eversholt Depot Finance (UK) Limited	-	-	1,551,434	-
Eversholt Funding plc	3,284,320	-	2,416,962	-
Eversholt Funding plc – term loan	-	1,798,350	-	1,798,350
Eversholt Investment Limited	25,255,356	-	-	-
Eversholt Rail (365) Limited	36,519,717	-	19,561,004	-
Eversholt Rail (380) Limited	5,755,010	-	12,660,675	-
	<u>648,116,090</u>	<u>1,798,350</u>	<u>695,276,720</u>	<u>1,798,350</u>

The loan with Eversholt Investment Limited is unsecured, interest free and has no fixed repayment terms and is therefore technically repayable on demand.

The loan with Eversholt Rail (365) Limited is unsecured, has no fixed repayment terms and is therefore technically repayable on demand. The loan is interest free.

All other loans are unsecured, have no fixed date for repayment and are therefore technically repayable on demand. Interest is charged at Libor plus a margin per annum (31 December 2012: Libor plus a margin).

**18 Provisions**

	2013	2012
	£	£
Payable no later than one year:		
Engineering costs	167,124	83,562
Payable later than one year and not later than five years:		
Engineering costs	-	83,562
	<u>167,124</u>	<u>167,124</u>

Provision for engineering costs relates to the cost of endemic faults to rolling stock. The projects to rectify these faults are ongoing and are expected to be completed in 2014.



**Notes to the Annual Financial Statements**

for the year ended 31 December 2013

**18 Provisions (continued)**

	2013	2012
	£	£
Balance at beginning of the year	167,124	239,125
Utilised	-	(27,970)
Provision released	-	(44,031)
Balance at end of year	<u>167,124</u>	<u>167,124</u>

**19 Deferred tax asset**

	2013	2012 (restated)
	£	£
Balance at beginning of the year	(141,988)	(32,585)
Income statement credit	(127,939)	(128,535)
Other comprehensive income: actuarial movement on retirement benefit obligations	<u>(78,350)</u>	19,132
Balance at end of the year	<u>(348,277)</u>	<u>(141,988)</u>

Temporary differences relate principally to accelerated capital allowances and depreciation and the actuarial adjustment in the defined benefit pension scheme.

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 liability 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.

**20 Deferred revenue**

Rentals received in relation to future maintenance costs are deferred and released when these costs are incurred.

	2013	2012
	£	£
Deferred revenue		
Arising in respect of maintenance contracts	15,182,643	14,195,590
Maintenance reserve	<u>(567,008)</u>	<u>1,840,977</u>
	<u>14,615,635</u>	<u>16,036,567</u>

The deferred revenue arises in respect of the Company's obligations in respect of maintenance contracts in certain leases.

**21 Share capital**

	2013	2012
	£	£
<b>Authorised, allotted, called up and fully paid</b>		
100,000,002 Ordinary shares of £1 each	<u>100,000,002</u>	<u>100,000,002</u>

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



## Notes to the Annual Financial Statements

for the year ended 31 December 2013

### 22 Retirement benefit obligations

#### 22.1 General description of scheme

##### Final salary pension

The Company provides a defined benefit pension scheme to its employees.

The Eversholt Rail (UK) Limited section (the "Section") is part of the Railways Pension Scheme, but its assets and liabilities are identified separately from the remainder of the Scheme.

The Section is a shared cost arrangement whereby the Company is only responsible for a share of the cost. The figures reported below therefore represent only the Company's share of the cost, except that the tables reconciling the Section liabilities and assets from the start to the end of the year are presented before the deduction of the members' share of the defined benefit cost, or the surplus or deficit. This is for simplicity of presentation and for consistency, with the liabilities and assets quoted in the table showing the pension scheme liability or asset at the end of the year.

Employer contributions for the year ending 31 December 2013 are 19.1% (31 December 2012: 19.1%) of Section Pay.

The Section is open to new members.

#### 22.2 Membership data

	31 December 2013	31 December 2012
<b>Active members</b>		
Number	28	32
Number with PRP included	21	25
Annual payroll (£)	1,765,000	2,153,000
PRP included (£)	84,000	100,000
Average age	49.1	49
<b>Deferred members</b>		
Number	51	49
Total deferred pensions (£)	354,000	303,000
Average age	50.4	49.6
<b>Pensioner members (including dependants)</b>		
Number	36	34
Annual pension payroll (£)	929,000	806,000
Average age	63.7	63.7

**Notes to the Annual Financial Statements**

for the year ended 31 December 2013

**22 Retirement benefit obligations (continued)****22.3 Summary of assumptions**

	31 December 2013 %pa	31 December 2012 % pa
Discount rate	4.35	4.30
Price inflation (RPI measure)	3.35	2.90
Increases to deferred pensions (CPI measure)	2.35	1.90
Pension increases (CPI measure)	2.35	1.90
Salary increases *	4.85	4.40

\* plus 0.4% pa promotional salary scale.

\*\* The expected return on Section assets assumption was determined as the average of the expected returns on the assets held by the Section on the accounting date. The rates of return for each class are set out in the table below and were determined as follows:

- **Equities and property:** The rate adopted is consistent with the median assumption used in the Asset Liability Modelling work carried out by our advisers,
- **Bonds:** The overall rate has been set to reflect the yields on the bond holdings, adjusted where appropriate for the risk of default,
- **Other assets:** This class is mostly made of cash holdings and the rate adopted reflects current short-term returns on such deposits.

	Long-term rate of return expected on 31 December 2013 % pa	Value at 31 December 2013 £	Long-term rate of return expected on 31 December 2012 % pa	Value at 31 December 2012 £
Growth assets	N/A	19,363,000	N/A	18,415,000
Defensive pooled fund	N/A	12,603,000	N/A	12,287,000
Other assets	N/A	70,000	N/A	315,000
	N/A	<u>32,036,000</u>	N/A	<u>31,017,000</u>

The assumed average expectation of life in years at age 65 is as follows:

		31 December 2013	31 December 2012
Male currently age 65	Pension under £9,300 pa or pensionable pay under £35,000 pa	20.7	20.6
	Others	22.9	22.8
Male currently age 45	Pension under £9,300 pa or pensionable pay under £35,000 pa	23.1	23.0
	Others	25.1	25.0
Female currently age 65	Pension under £3,300 pa or pensionable pay under £35,000	22.6	22.5
	Others	25.0	24.9
Female currently age 45	Pension under £3,300 pa or pensionable pay under £35,000	25.1	25.0
	Others	27.4	27.3

**Notes to the Annual Financial Statements**

for the year ended 31 December 2013

**22 Retirement benefit obligations (continued)**

**22.4 Defined Benefit (liability)/asset at end of year**

	31 December 2013	31 December 2012 (restated)
	£	£
Defined Benefit Obligation at end of year		
Active members	8,120,000	10,365,000
Deferred members	6,907,000	5,335,000
Pensioner members (incl. dependants)	17,509,000	14,525,000
<b>Total</b>	<b>32,536,000</b>	<b>30,225,000</b>
Value of assets at end of year	32,036,000	31,017,000
Funded Status at end of year	(500,000)	792,000
Adjustment for the members' share of deficit/(surplus)	200,000	(317,000)
Effect of Asset Ceiling	-	(341,000)
<b>Net Defined Benefit (liability)/asset at end of year</b>	<b>(300,000)</b>	<b>134,000</b>

**22.5 Reconciliation of Net Defined Benefit (liability)/asset**

	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
	£	£
Opening Net Defined Benefit asset	134,000	-
Employer's share of pension expense	(399,000)	(383,000)
Employer contributions	340,000	428,000
Total (loss)/gain recognised in statement of comprehensive income	(375,000)	89,000
<b>Closing Net Defined Benefit (liability)/asset</b>	<b>(300,000)</b>	<b>134,000</b>

**22.6 Pension expense**

	Year ended 31 December 2013	Year Ended 31 December 2012 (restated)
	£	£
Employer's share of Service Cost	355,000	356,000
Employer's share of administration costs	55,000	39,000
Total employer's share of service cost	410,000	395,000
Employer's share of net interest on net defined benefit asset	(11,000)	(12,000)
<b>Employer's share of pension expense</b>	<b>399,000</b>	<b>383,000</b>

**22.7 Other comprehensive income**

	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
	£	£
(Gain)/Loss due to liability experience	(138,000)	251,000
Loss due to liability assumption changes	1,100,000	771,000
Return on plan assets greater than discount rate	(231,000)	(486,000)
Change in effect of the asset ceiling	(356,000)	(625,000)
<b>Total loss/(gain) recognised in statement of comprehensive income</b>	<b>375,000</b>	<b>(89,000)</b>



**Notes to the Annual Financial Statements**

for the year ended 31 December 2013

**22 Retirement benefit obligations (continued)****22.8 Reconciliation of Defined Benefit Obligation (DBO)**

	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
	£	£
Opening Defined Benefit Obligation	30,225,000	27,530,000
Service Cost	577,000	576,000
Interest Cost	1,277,000	1,303,000
(Gain)/Loss on DBO – experience	(276,000)	323,000
Loss on DBO – financial assumptions	1,833,000	1,285,000
Actual benefit payments	(1,100,000)	(792,000)
<b>Closing Defined Benefit Obligation</b>	<b>32,536,000</b>	<b>30,225,000</b>

**22.9 Reconciliation of value of assets**

	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
	£	£
Opening value of section assets	31,017,000	29,074,000
Interest income on assets	1,318,000	1,389,000
Return on plan assets greater than discount rate	386,000	810,000
Employer contributions	340,000	428,000
Employee contributions	167,000	173,000
Actual benefit payments	(1,100,000)	(792,000)
Administration costs	(92,000)	(65,000)
<b>Closing value of Section assets</b>	<b>32,036,000</b>	<b>31,017,000</b>

Tables 22.8 and 22.9 above show the movement in the assets and liabilities of the section as a whole. Some of the figures therefore differ from those in the remaining disclosures which reflect the Company's share of the assets and liabilities associated with the section.

**22.10 Reconciliation of effect of asset ceiling**

	Year ended 31 December 2013	Year ended 31 December 2012 (restated)
	£	£
Opening effect of asset ceiling	341,000	926,000
Interest on asset ceiling	15,000	40,000
Change in asset ceiling over the period	(356,000)	(625,000)
<b>Closing effect of asset ceiling</b>	<b>-</b>	<b>341,000</b>



**Notes to the Annual Financial Statements**

for the year ended 31 December 2013

**23 Risk management**

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

**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.

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**

The Company is responsible for day to day cash management for the Group. Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company monitors the Company's 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 maintains a revolving credit facility of £500m.

The Company's assets, net of deferred tax, are funded principally by borrowings from other Group entities.

Contractual undiscounted cash flows payable to meet financial liabilities are analysed below by their contractual due date:

	Carrying value £	Total undiscounted cash flows £	On demand £	Due within 1 year £	Due between 1-5 years £	Due after 5 years £
<b>31 December 2013</b>						
<b>Financial assets</b>						
<b>Loans and receivables</b>						
- Loans receivable	719,928,987	719,928,987	719,928,987	-	-	-
- Trade and other receivables	9,210,042	9,210,042	-	9,210,042	-	-
	<u>729,139,029</u>	<u>729,139,029</u>	<u>719,928,987</u>	<u>9,210,042</u>	-	-
<b>Cash and Cash Equivalent</b>	60,449,090	60,449,090	60,449,090	-	-	-
<b>Financial liabilities</b>						
<b>Non-derivative instruments – amortised cost</b>						
- Trade and other payables	(9,375,647)	(9,375,647)	-	(9,375,647)	-	-
- Borrowings	(649,914,440)	(652,213,573)	(648,116,090)	(101,320)	(497,766)	(3,498,397)
	<u>(659,290,087)</u>	<u>(661,589,220)</u>	<u>(648,116,090)</u>	<u>(9,476,967)</u>	<u>(497,766)</u>	<u>(3,498,397)</u>
<b>Total financial instruments</b>	<u>130,298,032</u>	<u>127,998,899</u>	<u>132,261,987</u>	<u>(266,925)</u>	<u>(497,766)</u>	<u>(3,498,397)</u>

**Notes to the Annual Financial Statements**

for the year ended 31 December 2013

**23 Risk management (continued)****Liquidity risk management (continued)**

31 December 2012

**Financial assets**

## Loans and receivables

- Loans receivable	703,778,771	703,778,771	703,778,771	-	-	-
- Trade and other receivables (restated)	23,354,721	23,354,721	-	23,220,721	-	-
	<u>726,999,492</u>	<u>726,999,492</u>	<u>703,778,771</u>	<u>23,220,721</u>	<u>-</u>	<u>-</u>

<b>Cash and Cash Equivalent</b>	113,875,705	113,875,705	113,875,705	-	-	-
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**Financial liabilities**

## Non-derivative instruments – amortised cost

- Trade and other payables (restated)	(9,811,106)	(9,811,106)	-	(9,811,106)	-	-
- Borrowings	(697,075,070)	(699,192,507)	(695,276,720)	(85,645)	(395,206)	(3,434,936)
	<u>(708,886,176)</u>	<u>(709,003,613)</u>	<u>(695,276,720)</u>	<u>(9,896,751)</u>	<u>(395,206)</u>	<u>(3,434,936)</u>

<b>Total financial instruments</b>	<u>133,989,021</u>	<u>131,871,584</u>	<u>122,377,756</u>	<u>13,317,970</u>	<u>(395,206)</u>	<u>(3,434,936)</u>
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There are no material differences between the carrying value and the fair value of financial assets and liabilities as at 31 December 2013 and 31 December 2012.

**Market risk management**

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

The Company has exposure to fluctuations in interest rates. Cash flow exposure to fluctuations in interest rates 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 cost of intragroup loans.

**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.

**Interest rate sensitivity analysis**

The impact of a 50 basis points increase in LIBOR would have resulted in an increase in interest expense of £350 on unhedged debt. This would be further increased by an increase in working capital interest expense of £127,676, but offset by an increase in cash deposit interest received of £752,564.

## Notes to the Annual Financial Statements

for the year ended 31 December 2013

### 24 Related-party transactions

#### 24.1 Identity of related parties

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

- European Rail Finance Holdings Limited
- Eversholt Investment Limited
- European Rail Finance Limited
- European Rail Finance (GB) Limited
- Eversholt Rail Holdings (UK) Limited
- Eversholt Finance Holdings Limited
- Eversholt Funding plc
- 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 Rail Holdings (UK) 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  
Harcourt Centre  
Harcourt Road  
Dublin 2  
Ireland

#### 24.2 Transactions with related parties

The Company has entered into the following transactions with related parties:

The Company has received fees for the provision of maintenance, procurement and management services to other Group Companies as follows:

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
European Rail Finance (GB) Limited	<b>1,799,435</b>	2,450,000
European Rail Finance Limited	<b>10,677,144</b>	9,450,000
Eversholt Rail (380) Limited	<b>863,568</b>	325,000
Eversholt Rail (365) Limited	<b>532,945</b>	725,000
Eversholt Depot Finance (UK) Limited	<b>119,092</b>	100,000



**Notes to the Annual Financial Statements**

for the year ended 31 December 2013

**24 Related-party transactions (continued)****24.2 Transactions with related parties (continued)**

Loan accounts are more fully described in notes 14 and 17. Interest receivable (payable) on these loan accounts is as follows:

	2013	2012
	£	£
Eversholt Funding plc	(212,564)	(196,613)
Eversholt Rail Holding (UK) Limited	523,859	335,203
Eversholt Rail Depot Finance Limited	(23,879)	(36,356)
Eversholt Rail (380) Limited	(298,715)	(117,183)
Eversholt Finance Holdings Limited	84	25
Eversholt Rail Finance (GB) Limited	(393,428)	(553,366)
European Rail Finance Limited	(5,518,195)	(3,908,460)
European Rail Finance Holdings Limited	(9,580,561)	(8,891,088)
Eversholt Investment Limited	161,744	1,119,378
Eversholt Rail Finance (2) Limited	14,614,815	12,004,295

The Company has paid £15,000 to Eversholt Funding plc for funding services (31 December 2012: £15,000).

On 6 November 2013, the Company provided an unsecured interest free loan of £518,683 (2012: £nil) to a Director for the purposes of acquisition of shares in the ultimate parent company, Eversholt Investment Group (Luxembourg) Sarl. At 31 December 2013 the balance outstanding was £518,693 (2012: £nil) and is included in trade and other receivables (see note 13).

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

Preferred Equity Certificates	M B Kenny	S F Purves	F I Maroudas
<b>Certificates held at 31 December 2011</b>	<b>187,127</b>	<b>138,683</b>	-
Certificates redeemed	(27,044)	(20,033)	-
Certificates acquired	205,543	152,147	-
<b>Certificates held at 31 December 2012</b>	<b>365,626</b>	<b>270,797</b>	-
Certificates redeemed		(270,797)	-
<b>Certificates held at 31 December 2013</b>	<b>365,626</b>	-	-
<b>Ordinary Shares</b>			
<b>Shares held at 31 December 2012</b>	<b>901</b>	<b>667</b>	-
Shares redeemed	-	(667)	-
Shares acquired	-	-	667
<b>Shares held at 31 December 2013</b>	<b>901</b>	-	<b>667</b>

**25 Contingent liabilities**

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

**26 Subsequent events**

On 30 January 2014 the company received £666,500,000 from European Rail Finance (2) Limited in respect of the loan receivable at 31 December 2013.