

Eversholt Rail (UK) Limited

Annual Financial Statements
for the year ended 31 December 2014

Registered No: 06953114

Annual Financial Statements

for the year ended 31 December 2014

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Strategic report

for the year ended 31 December 2014

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 25.

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.

The business is funded principally by external funding. In 2014 the terms of intragroup funding arrangements were revised to more closely align with the terms of the Group's external financing. Details are more fully described in notes 14 and 17.

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 24 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

24 February 2015

Directors' report

for the year ended 31 December 2014

Future developments

No further significant developments are currently anticipated, but the Directors keep opportunities under regular review.

Dividends

On 22 December 2014 the Directors declared a dividend of £27,300,000 (2013: £1,800,000). 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

A J Course

F I Maroudas

D G Stickland

Resigned 19 March 2014

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 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 25.

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 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

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 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 (UK) Limited
for the year ended 31 December 2014

We have audited the financial statements of Eversholt Rail (UK) Limited for the year ended 31 December 2014 set out on pages 7 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 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

		2014	2013
	Note	£'000	£'000
Revenue			
Maintenance income		73,182	51,181
Service charge income		15,053	13,227
Other income		1,347	963
Total income		89,582	65,371
Maintenance expense		(62,242)	(45,556)
Gross Profit		27,340	19,815
Finance income	4	87,110	1,504
Finance expense	5	(80,885)	(2,486)
Loss on fair value adjustment of derivative financial instrument		(50)	-
Pension finance (expense)/credit	23	(8)	11
		33,507	18,844
Administrative expense	6	(19,926)	(17,098)
Profit before tax		13,581	1,746
Income tax (charge)/credit	9	(3,454)	279
Profit for the year		10,127	2,025

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

The notes on pages 11 to 30 form an integral part of these financial statements.

Statement of comprehensive income

for the year ended 31 December 2014

		2014	2013
	Note	£'000	£'000
Profit for the year		10,127	2,025
Other comprehensive expense			
Actuarial losses on defined benefit scheme	23	(2,268)	(375)
Tax in respect of actuarial losses on defined benefit scheme		487	78
Total comprehensive income for the year		8,346	1,728

Eversholt Rail (UK) Limited

Statement of financial position
as at 31 December 2014

		2014	2013
		£'000	£'000
Assets	Note		
Non-current assets			
Property, plant and equipment	11	1,113	1,228
Deferred tax	19	1,077	348
Loans receivable	14	1,529,919	-
		<u>1,532,109</u>	<u>1,576</u>
Current assets			
Inventory	12	1,562	1,792
Trade and other receivables	13	17,847	9,210
Loans receivable	14	-	719,929
Cash and cash equivalents	15	10,382	60,449
Current tax		-	85
		<u>29,791</u>	<u>791,465</u>
Total assets		<u>1,561,900</u>	<u>793,041</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	16	14,341	9,376
Current tax		2,830	-
Borrowings	17	84,224	648,116
Provisions	18	1,185	167
		<u>102,580</u>	<u>657,659</u>
Non-current liabilities			
Borrowings	17	1,351,702	1,798
Deferred revenue	20	7,554	14,616
Derivative financial instrument	21	50	-
		<u>1,359,306</u>	<u>16,414</u>
Total liabilities		<u>1,461,886</u>	<u>674,073</u>
Equity			
Share capital	22	100,000	100,000
Retained earnings		14	18,968
Total equity		<u>100,014</u>	<u>118,968</u>
Total equity and liabilities		<u>1,561,900</u>	<u>793,041</u>

The notes on pages 11 to 30 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: 06953114

Statement of cash flows

for the year ended 31 December 2014

		2014	2013
	Note	£'000	£'000
Cash flow from operating activities			
Profit before tax		13,581	1,746
Adjustments for:			
- Depreciation		553	479
- Write down of inventory		230	230
- Loss on disposal of property, plant and equipment		-	20
- Loss on fair value of derivative		50	-
- Finance income		(87,110)	(1,504)
- Finance expense		80,885	2,486
- Adjustment for non-cash element of pension charge		118	59
Operating cash flow before working capital		8,307	3,516
- (Increase)/decrease in trade and other receivables		(8,637)	14,011
- Increase/(decrease) in trade and other payables		2,579	(735)
- Decrease in deferred revenue		(7,062)	(1,421)
- Increase in provision		1,018	-
Cash flow (utilised in)/generated by operating activities		(3,795)	15,371
Tax paid		(781)	(2,355)
Net cash flow (utilised in)/generated by operating activities		(4,576)	13,016
Cash flow from investing activities			
Acquisition of property, plant and equipment		(438)	(350)
Amounts repaid from group entities		719,929	-
Amounts lent to group entities		(1,529,919)	-
Net cash utilised in investing activities		(810,428)	(350)
Cash flow from financing activities			
Movement in working capital loan accounts		-	(63,311)
Dividend paid		(27,300)	(1,800)
Term loan borrowed from Eversholt Funding plc		1,385,000	-
Term loan repaid to Eversholt Funding plc		(1,798)	-
Intercompany accrued interest		13,174	-
Intercompany loans repaid		(648,116)	-
Intercompany loans raised		37,752	-
Finance income received		87,110	1,504
Finance expense paid		(80,885)	(2,486)
Net cash generated by/(utilised in) financing activities		764,937	(66,093)
Net decrease in cash and cash equivalents		(50,067)	(53,427)
Cash and cash equivalents at beginning of the year		60,449	113,876
Cash and cash equivalents at end of the year	15	10,382	60,449

Eversholt Rail (UK) Limited

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	100,000	19,040	119,040
Profit for the year	-	2,025	2,025
Dividend paid	-	(1,800)	(1,800)
Actuarial losses on defined benefit scheme after tax	-	(297)	(297)
Balance at 31 December 2013	100,000	18,968	118,968
Profit for the year	-	10,127	10,127
Dividend paid	-	(27,300)	(27,300)
Actuarial losses on defined benefit scheme after tax	-	(1,781)	(1,781)
Balance at 31 December 2014	100,000	14	100,014

Notes to the annual financial statements

for the year ended 31 December 2014

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 £'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.

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 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.

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 has 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). The impact resulting from the application of this standard is currently being assessed by the Directors.

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

2 Basis of Preparation (continued)

2.3 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 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'.

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

3 Summary of significant accounting policies (continued)

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.

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:

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

3 Summary of significant accounting policies (continued)

3.6 Financial instruments (continued)

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.

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.

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

3 Summary of significant accounting policies (continued)

3.6 Financial instruments (continued)

3.6.6 Derivatives

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate fluctuations.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into. The gain or loss resulting from re-measurements is recognised in profit or loss immediately.

Fair values are obtained from quoted market prices in active markets, or by using valuation techniques, including recent market transactions, where an active market does not exist. Valuation techniques include discounted cash flow models and option pricing models as appropriate. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

3.6.7 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.

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

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

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

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.

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

3 Summary of significant accounting policies (continued)

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.

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 23.

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.

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

3 Summary of significant accounting policies (continued)**3.10 Retirement benefit obligations (continued)**

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.

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

	2014 £'000	2013 £'000
Bank interest	260	1,500
Interest on maintenance reserve fund	1	4
Interest on working capital loans	86,849	-
	<u>87,110</u>	<u>1,504</u>

5 Finance expense

	2014 £'000	2013 £'000
Finance charge payable to Eversholt Funding plc	(80,885)	(1,738)
Interest on working capital loans	-	(727)
Other interest	-	(21)
	<u>(80,885)</u>	<u>(2,486)</u>

6 Administrative expense

Administrative expenses include the following:

	2014 £'000	2013 £'000
Depreciation - Premises & IT	(553)	(479)
- Inventory	(230)	(230)
Fees payable to the company's auditor for the audit of the company's annual accounts	(21)	(21)
Fees payable to the company's auditor and its associates for other services		
- Tax services	(91)	(34)
- Other services	(71)	(25)
Prepayments written off	-	(1,892)

During 2013 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.

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

7 Staff numbers and costs

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

	2014	2013
Directors	3	2
Operations	60	59
Administration	29	34
	<u>92</u>	<u>95</u>

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£'000	£'000
Wages and salaries	(8,905)	(7,392)
Social security costs	(1,111)	(1,024)
Contributions to defined contribution pension scheme	(490)	(422)
Defined benefit pension scheme service cost	(425)	(399)
	<u>(10,931)</u>	<u>(9,237)</u>

8 Directors' emoluments

	2014	2013
	£'000	£'000
Directors' emoluments for services to the Company	<u>1,296</u>	<u>907</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 £494,815 (2013: £400,463).

The pension contributions paid by the Company in respect of the highest paid Director for the year were £27,003 (2013: £27,083).

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 25.

9 Income tax (charge)/credit

		2014	2013
	Note	£'000	£'000
Current tax			
UK Corporation tax on current year profit		(3,869)	(606)
Group relief for nil consideration		195	895
Adjustment in respect of prior year		(22)	(138)
		<u>(3,696)</u>	<u>151</u>
Deferred tax			
Origination and reversal of temporary differences	19	242	121
Adjustment in respect of prior year		-	7
		<u>242</u>	<u>128</u>
Total income tax (charge)/credit		<u>(3,454)</u>	<u>279</u>

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

9 Income tax (charge)/credit (continued)

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

	2014	2013
	£'000	£'000
Taxation at UK corporation tax rate at 21.5% (2013: 23.25%)	(2,919)	(406)
Amounts not deductible for tax purposes	(639)	(33)
Group relief for no consideration	195	895
Adjustment in respect of prior year	(22)	(131)
Change in tax rates	(69)	(46)
Income tax (charge)/credit	<u>(3,454)</u>	<u>279</u>

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 £487,465 increase in total comprehensive income (2013: £78,350 increase).

10 Dividends

For the year ended 31 December 2014 a dividend of £27,300,000 was paid to Eversholt Rail Holdings (UK) Limited (2013: £1,800,000).

11 Property, plant and equipment

	Fixtures and fittings £'000	Equipment £'000	Total £'000
Cost			
Balance at 1 January 2013	1,216	1,148	2,364
Additions	-	350	350
Disposals	(20)	-	(20)
Balance at 31 December 2013	1,196	1,498	2,694
Additions	29	409	438
Balance at 31 December 2014	1,225	1,907	3,132
Depreciation			
Balance at 1 January 2013	513	474	987
Charge for the year	244	235	479
Balance at 31 December 2013	757	709	1,466
Charge for the year	244	309	553
Balance at 31 December 2014	1,001	1,018	2,019
Net carrying value			
Carrying value at 31 December 2014	224	889	1,113
Carrying value at 31 December 2013	439	789	1,228

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

12 Inventory

	2014 £'000	2013 £'000
Rolling stock spares	<u>1,562</u>	<u>1,792</u>

Write down in the value of inventories recognised within administrative expenses in the Income statement is an expense amounting to £230,245 (2013: £230,245). These costs were previously recognised within cost of sales.

13 Trade and other receivables

	2014 £'000	2013 £'000
Receivable no later than one year:		
Trade receivables	165	854
Other receivables	12	519
VAT	1,745	872
Overheads prepayment	435	-
Maintenance prepayment	15,490	6,965
	<u>17,847</u>	<u>9,210</u>

14 Loans receivable

	2014 £'000	2013 £'000
European Rail Finance Holdings Limited	1,845	-
Eversholt Finance Holdings (UK) Limited	7	5
European Rail Finance (2) Limited	-	666,535
Eversholt Rail Holdings (UK) Limited	105,932	33,037
European Rail Finance Limited	1,061,495	-
Eversholt Rail (380) Limited	154,670	-
Eversholt Rail (365) Limited	17,004	-
Eversholt Funding plc	8,873	-
Eversholt Investment Limited	52,977	-
Eversholt Depot Finance (UK) Ltd	18,410	831
European Rail Finance (GB) Limited	108,706	19,521
	<u>1,529,919</u>	<u>719,929</u>

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 working capital loans with other entities is classified as non-current as it is repayable on or before 4 November 2018 (2013: the loans were unsecured and had no fixed repayment date for repayment). 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: GBP LIBOR plus margin).

15 Cash and cash equivalents

Cash and cash equivalents are analysed as:

	2014 £'000	2013 £'000
Interest bearing	<u>10,382</u>	<u>60,449</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 2014.

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

16 Trade and other payables

	2014 £'000	2013 £'000
Trade payables	1,183	2,169
Other payables	581	568
Maintenance and administrative accruals	9,891	6,339
Retirement benefit liabilities	2,686	300
	<u>14,341</u>	<u>9,376</u>

Included above in 2013 were intercompany service charges received in advance of £45,000.

17 Borrowings

	Current 2014 £'000	Non - current 2014 £'000	Current 2013 £'000	Non - current 2013 £'000
European Rail Finance Holdings Limited	-	-	431,541	-
European Rail Finance Limited	-	-	145,761	-
European Rail Finance (2) Limited	-	1,702	-	-
Eversholt Funding plc	-	-	3,284	-
Eversholt Funding plc	35,000	1,350,000	-	1,798
Eversholt Investment Limited	-	-	25,255	-
Eversholt Rail (365) Limited	36,050	-	36,520	-
Eversholt Rail (380) Limited	-	-	5,755	-
Intercompany internal accrued interest	13,174	-	-	-
	<u>84,224</u>	<u>1,351,702</u>	<u>648,116</u>	<u>1,798</u>

The loan with European Rail Finance (2) Limited is repayable on demand but with a contractual final maturity of 2018. Interest on the loan is receivable monthly at a floating rate based on LIBID less margin.

The loan with Eversholt Funding plc mirrors the terms of the Company's external debt.

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 in 2013 were unsecured, had no fixed date for repayment and were therefore technically repayable on demand. Interest was charged at LIBOR plus a margin per annum.

Maturity of borrowings

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

	European Rail Finance (2) Limited 2014 £'000	European Rail Finance (2) Limited 2013 £'000	Eversholt Funding plc 2014 £'000	Eversholt Funding plc 2013 £'000
In more than one year but not more than two years	-	-	-	-
In more than two years but not more than five years	1,702	-	100,000	1,798
In more than five years	-	-	1,250,000	-
	<u>1,702</u>	<u>-</u>	<u>1,350,000</u>	<u>1,798</u>

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

18 Provisions

	2014 £'000	2013 £'000
Payable no later than one year:		
Overheads	765	-
Engineering costs	420	167
	<u>1,185</u>	<u>167</u>

Provision for engineering costs relates to the cost of endemic faults to rolling stock. The projects to rectify these faults are ongoing.

	2014 £'000	2013 £'000
Balance at beginning of the year	167	167
Additions	1,018	-
Balance at end of the year	<u>1,185</u>	<u>167</u>

19 Deferred tax

	2014 £'000	2013 £'000
Balance at beginning of the year	(348)	(142)
Income statement credit	(242)	(128)
Other comprehensive income: actuarial movement on retirement benefit obligations	(487)	(78)
Balance at end of the year	<u>(1,077)</u>	<u>(348)</u>

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. The deferred tax liability at 31 December 2014 has been calculated based on rates of 20% substantively enacted at the reporting date. The effect of the change in the rate to 20% was included in the financial statements. No additional change included in the year.

20 Deferred revenue

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

	2014 £'000	2013 £'000
Deferred revenue		
Arising in respect of maintenance contracts	7,220	15,183
Maintenance reserve	334	(567)
	<u>7,554</u>	<u>14,616</u>

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

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

21 Derivative financial instruments

	2014 £'000	2013 £'000
Non-current		
FX forward – liabilities	50	-

The Company has entered into a foreign exchange forward contract, which enable the Company to mitigate the risk of fluctuating EUR/GBP exchange rates. The contract is not designated in hedging accounting relationship. The fair value of foreign exchange forward contract was based on market rates on 31 December 2014.

22 Share capital

	2014 £'000	2013 £'000
Authorised, allotted, called up and fully paid		
100,000,002 Ordinary shares of £1 each	100,000	100,000

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

23 Retirement benefit obligations**23.1 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 2014 are 19.1% (2013: 19.1%) of Section Pay.

The Section is open to new members.

23.2 Membership data

	31 December 2014	31 December 2013
Active members		
Number	24	28
Number with PRP included	18	21
Annual payroll (£'000)	1,681	1,765
PRP included (£'000)	72	84
Average age	49.2	49.1
Deferred members		
Number	52	51
Total deferred pensions (£'000)	364	354
Average age	51.4	50.4
Pensioner members (including dependants)		
Number	40	36
Annual pension payroll (£'000)	1,023	929
Average age	64.1	63.7

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

23 Retirement benefit obligations (continued)

23.3 Summary of assumptions

	31 December 2014 %pa	31 December 2013 % pa
Discount rate	3.60	4.35
Price inflation (RPI measure)	3.00	3.35
Increases to deferred pensions (CPI measure)	2.00	2.35
Pension increases (CPI measure)	2.00	2.35
Salary increases *	4.00	4.85

* 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 2014 % pa	Value at 31 December 2014 £'000	Long-term rate of return expected on 31 December 2013 % pa	Value at 31 December 2013 £'000
Growth assets	N/A	21,317	N/A	19,363
Defensive pooled fund	N/A	13,137	N/A	12,603
Other assets	N/A	94	N/A	70
	N/A	34,548	N/A	32,036

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

		31 December 2014	31 December 2013
Male currently age 65	Pension under £10,300 pa or pensionable pay under £35,000 pa	20.9	20.7
	Others	23.3	22.9
Male currently age 45	Pension under £10,300 pa or pensionable pay under £35,000 pa	23.2	23.1
	Others	25.5	25.1
Female currently age 65	Pension under £3,700 pa or pensionable pay under £35,000	22.7	22.6
	Others	24.5	25.0
Female currently age 45	Pension under £3,700 pa or pensionable pay under £35,000	25.1	25.1
	Others	26.8	27.4

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

23 Retirement benefit obligations (continued)**23.4 Defined Benefit liability at end of year**

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Defined Benefit liability at end of year		
Active members	(9,824)	(8,120)
Deferred members	(8,014)	(6,907)
Pensioners members (incl. dependants)	(21,187)	(17,509)
Total	(39,025)	(32,536)
Value of assets at end of year	34,548	32,036
Funded Status at end of year	(4,477)	(500)
Adjustment for the members' share of deficit	1,791	200
Net Defined Benefit liability at end of the year	(2,686)	(300)

23.5 Reconciliation of Net Defined Benefit liability

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Opening Net Defined Benefit (liability)/asset	(300)	134
Employer's share of pension expense	(433)	(399)
Employer contributions	315	340
Total loss recognised in statement of comprehensive income	(2,268)	(375)
Closing Net Defined Benefit liability	(2,686)	(300)

23.6 Pension expense

	Year ended 31 December 2014 £'000	Year Ended 31 December 2013 £'000
Employer's share of service cost	335	355
Employer's share of administration costs	62	55
Past service cost adjustment (including curtailments)	28	-
Total employer's share of service cost	425	410
Employer's share of net interest on net defined benefit liability/(asset)	8	(11)
Employer's share of pension expense	433	399

23.7 Other comprehensive income

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Loss/(gain) due to liability experience	2,095	(138)
Loss due to liability assumption changes	1,265	1,100
Return on plan assets greater than discount rate	(1,092)	(231)
Change in effect of the asset ceiling	-	(356)
Total loss recognised in statement of comprehensive income	2,268	375

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

23 Retirement benefit obligations (continued)

23.8 Reconciliation of Defined Benefit Obligation (DBO)

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Opening Defined Benefit Obligation	32,536	30,225
Service Cost	548	577
Interest Cost	1,393	1,277
Section amendment	28	-
Loss/(gain) on DBO – experience	3,453	(276)
Loss on DBO – demographic assumptions	155	-
Loss on DBO – financial assumptions	1,954	1,833
Actual benefit payments	(1,042)	(1,100)
Closing Defined Benefit Obligation	39,025	32,536

23.9 Reconciliation of value of assets

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Opening value of Section assets	32,036	31,017
Interest income on assets	1,379	1,318
Return on plan assets greater than discount rate	1,820	386
Employer contributions	315	340
Employee contributions	143	167
Actual benefit payments	(1,042)	(1,100)
Administration costs	(103)	(92)
Closing value of Section assets	34,548	32,036

Tables 23.8 and 23.9 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.

23.10 Reconciliation of effect of asset ceiling

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Opening effect of asset ceiling	-	341
Interest on asset ceiling	-	15
Change in asset ceiling over the period	-	(356)
Closing effect of asset ceiling	-	-

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

24 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 £'000	Total undiscounted cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
31 December 2014						
Financial assets						
Loans and receivables						
- Loans receivable	1,529,919	1,529,919	-	-	1,529,919	-
- Trade and other receivables	17,847	17,847	-	17,847	-	-
Cash and Cash Equivalent	10,382	10,382	10,382	-	-	-
	<u>1,558,148</u>	<u>1,558,148</u>	<u>10,382</u>	<u>17,847</u>	<u>1,529,919</u>	<u>-</u>
Financial liabilities						
Held to maturity financial instrument						
- Derivative financial instrument	(50)	(54)	-	(27)	(27)	-
Non-derivative instruments – amortised cost						
- Trade and other payables	(14,341)	(14,341)	-	(14,341)	-	-
- Borrowings	(37,752)	(37,752)	(36,050)	-	(1,702)	-
- Intercompany term lending	(1,398,174)	(2,263,128)	-	(112,046)	(411,812)	(1,739,270)
	<u>(1,450,317)</u>	<u>(2,315,275)</u>	<u>(36,050)</u>	<u>(126,414)</u>	<u>(413,541)</u>	<u>(1,739,270)</u>
Total financial instruments	<u>107,831</u>	<u>(757,127)</u>	<u>(25,668)</u>	<u>(108,567)</u>	<u>1,116,378</u>	<u>(1,739,270)</u>

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

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

	Carrying value £'000	Total undiscounted cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
31 December 2013						
Financial assets						
Loans and receivables						
- Loans receivable	719,929	719,929	719,929	-	-	-
- Trade and other receivables	9,210	9,210	-	9,210	-	-
Cash and cash equivalent	60,449	60,449	60,449	-	-	-
	<u>789,588</u>	<u>789,588</u>	<u>780,378</u>	<u>9,210</u>	<u>-</u>	<u>-</u>
Financial liabilities						
Non-derivative instruments – amortised cost						
- Trade and other payables	(9,376)	(9,376)	-	(9,376)	-	-
- Borrowings	(613,394)	(615,693)	(611,596)	(101)	(498)	(3,498)
- Intercompany term lending	(36,520)	(36,520)	(36,520)	-	-	-
	<u>(659,290)</u>	<u>(661,589)</u>	<u>(648,116)</u>	<u>(9,477)</u>	<u>(498)</u>	<u>(3,498)</u>
Total financial instruments	<u>130,298</u>	<u>127,999</u>	<u>132,262</u>	<u>(267)</u>	<u>(498)</u>	<u>(3,498)</u>

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

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 a decrease of £474,447 in intercompany term lending interest expense, a decrease in working capital interest income of £559,555 and an increase in cash deposit interest received of £220,359.

Notes to the annual financial statements (continued)

for the year ended 31 December 2014

25 Related-party transactions**25.1 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:

Newmount House
22-24 Mount Street Lower
Dublin 2
Ireland

25.2 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:

	2014 £'000	2013 £'000
European Rail Finance (GB) Limited	2,085	1,799
European Rail Finance Limited	12,206	10,677
Eversholt Rail (380) Limited	982	864
Eversholt Rail (365) Limited	676	533
Eversholt Depot Finance (UK) Limited	135	119

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

	2014 £'000	2013 £'000
Eversholt Funding plc	(34)	(213)
Eversholt Rail Holding (UK) Limited	7,276	524
Eversholt Rail Depot Finance Limited	961	(24)
Eversholt Rail (380) Limited	9,671	(299)
Eversholt Rail Finance (GB) Limited	4,115	(393)
European Rail Finance Limited	61,356	(5,518)
European Rail Finance Holdings Limited	(474)	(9,581)
Eversholt Investment Limited	2,805	162
Eversholt Rail Finance (2) Limited	1,146	14,615
Eversholt Rail (365) Limited	26	-

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

25 Related-party transactions (continued)

25.2 Transactions with related parties (continued)

Dividends paid are fully described in note 10.

The Company has paid £15,000 to Eversholt Funding plc for funding services (2013: £15,000).

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

Preferred Equity Certificates	MB Kenny	SF Purves	F I 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	-	-

26 Contingent liabilities

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

27 Subsequent events

Long-dated AA corporate bond yields have fallen by a further c40bps since 31 December 2014. This means that yields are, again, at record lows in both real and nominal terms. This has been accompanied by a c10bps decrease in expectations of long term inflation since 31 December 2014, so net discount rates are likely to have decreased by c30bps during the period from the balance sheet date to the date of approval of these annual financial statements. For a typical scheme with a 20 year duration, this could mean an increase of 6%-7% on the liabilities.