

# CAF Rolling Stock UK Limited

Registered number: 10854234

## Financial statements

For the period ended 31 December 2018



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CAF ROLLING STOCK UK LIMITED

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COMPANY INFORMATION

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Directors	J Villar Elorza (appointed 5 January 2018) J Esnaola Altuna (appointed 6 July 2017) F Fernandez Lopetegui (appointed 6 July 2017) I Ona Larumbe (appointed 6 July 2017, resigned 5 January 2018)
Registered number	10854234
Registered office	Coventry Technocentre Puma Way Coventry CV1 2TT
Independent auditor	Deloitte LLP Statutory Auditor 4 Brindley Place Birmingham B1 2HZ
Accountants	Mazars LLP Park View House 58 The Ropewalk Nottingham NG1 5DW
Bankers	Deutsche Bank AG 1 Great Winchester Street London EC2N 2DB

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**CAF ROLLING STOCK UK LIMITED**

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## CAF ROLLING STOCK UK LIMITED

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### STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018

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#### Introduction

The Directors present their strategic report for the period ended 31 December 2018.

#### Review of business

CAF SA is a multinational group with over 100 years experience offering integrated transport systems at the forefront of technology that provide high value-added sustainable mobility.

A leader in the railway industry, it offers its customers one of the widest and most flexible product ranges in the market (both in terms of complete integrated transport systems and parts thereof) for example; rolling stock, components, infrastructure, workshops, signalling and services (maintenance, refurbishment and financial). Within the rolling stock segment, which represents its most traditional business, CAF offers a wide range of products that includes, among others, high-speed and very high-speed trains, regional and commuter trains (diesel and electric), metros, trams, LRVs and locomotives.

The principal activity of the Company is the operation of a manufacturing plant for the assembly of rolling stock, including the commissioning and testing of CAF Rolling Stock. The Company was incorporated on 6 July 2017.

The new venture has seen the completion of the build of a brand-new assembly plant in Newport. The build was completed towards the end of 2018, and operations began from September 2018. This first reporting period has included the accounting for many one-off start up costs resulting in a trading loss of £891k.

As we move into the next reporting period we do so with a strong order book of £105m. We have secured several high-profile contracts which will be delivered from the Newport plant.

The Wales and Borders franchise in conjunction with the Company KeolisAmey is a contract for the manufacture of 180 cars that will make up 77 diesel units for services in the franchise. In addition, the Northern franchise with Arriva UK and the finance Company Eversholt Rail Group increased their initial order to 290 cars to form 43 electric and 58 diesel units. Both agreements will increase the workload of the Newport plant.

#### Principal risks and uncertainties

The Company is exposed to only minimal risk this relates predominantly to financial risk factors. These arise from fluctuations in the markets and include:

- Interest rate risk; risk of fluctuations in interest rates that might give rise to changes in the Company's profit or loss and the value of its assets and liabilities.
- Foreign currency risk; risk arising from fluctuations in exchange rates that have an effect on future transactions and the valuation of assets and liabilities denominated in foreign currency.
- Commodity price risk; risk arising from changes in prices and market variables relating to commodities required in the businesses supply chain.

The Company is aware that the uncertainty surrounding Brexit could potentially impact our customers, suppliers and funders. We are reviewing and monitoring the impact of this on an ongoing basis.

#### Key performance indicators

The key performance indicators for the business are new contracts won in the period of £115m. £9m of this has been invoiced in the period, and this leaves a backlog of £105m to be invoiced in the future. Backlog represents the volume of firm orders that will be recognised in the future as turnover. Turnover and net profit before tax are also considered to be key performance indicators for the business and current performance can be found in detail in the profit and loss statement on page 9.

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CAF ROLLING STOCK UK LIMITED

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STRATEGIC REPORT (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2018

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This report was approved by the board and signed on its behalf.



J Villar Elorza  
Director

Date: 17-12-2019

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## CAF ROLLING STOCK UK LIMITED

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### DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2018

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The Directors present their report and the financial statements for the period ended 31 December 2018. The period commenced when the company was incorporated on 6 July 2017.

#### Principal activity

The principal activity of the Company is the operation of a manufacturing plant for the assembly of rolling stock, including the commissioning and testing of CAF Rolling Stock.

#### Review of business

This first reporting period has included the accounting for many one-off start up costs resulting in a trading loss of £891k.

As we move into the next reporting period we do so with a strong order book of £105m. We have secured several high-profile contracts which will be delivered from the Newport plant.

#### Results and dividends

The financial results for the period ended 31st December 2018 are set out on page 9. The loss for the period, after taxation, amounted to £891,345.

There were no dividends during the period, and no dividends have been declared post period end.

#### Directors

The Directors, who served throughout the period except as noted, were as follows:

J Villar Elorza (appointed 5 January 2018)  
J Esnaola Altuna (appointed 6 July 2017)  
F Fernandez Lopetegui (appointed 6 July 2017)  
I Ona Larumbe (appointed 6 July 2017, resigned 5 January 2018)

#### Going concern assessment

The accounts have been prepared on a going concern basis which the Director has based on a letter of continued support from the ultimate parent company.

#### Financial risk management objectives and policies

The Company is exposed to a moderate level of price risk, credit risk, liquidity risk and cash flow risk. The Company manages these risks by financing its operations through support from the parent company where necessary. The Company's credit risk is minimal due to trade receivables being predominantly intergroup. The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

#### Directors indemnities

There were no directors indemnities in the period.

#### Events after the balance sheet date

There have been no significant events affecting the Company since the period end.

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CAF ROLLING STOCK UK LIMITED

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**DIRECTORS' REPORT (CONTINUED)**  
**FOR THE PERIOD ENDED 31 DECEMBER 2018**

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**Disclosure of information to auditors**

Each of the persons 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 ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.
- We are aware that the uncertainty currently surrounding Brexit could potentially impact our customers, suppliers and funders. We are reviewing and monitoring the impact of this on an ongoing basis.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**Auditor**

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor pursuant to sections 485-488 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



**J Villar Elorza**  
Director

Date: 17-12-2019

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CAF ROLLING STOCK UK LIMITED

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**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

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The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRS Standards) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



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**CAF ROLLING STOCK UK LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAF ROLLING STOCK UK LIMITED**

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**Report on the audit of the financial statements****Opinion**

In our opinion the financial statements of CAF Rolling Stock UK Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

**Other information**

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAF ROLLING STOCK UK LIMITED**

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**Other information (continued)**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

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CAF ROLLING STOCK UK LIMITED

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CAF ROLLING STOCK UK LIMITED

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**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

**Use of our report**

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.



**Sukhpal Gill (Senior Statutory Auditor)**

for and on behalf of  
Deloitte LLP  
Statutory Auditor  
Birmingham  
United Kingdom

Date: 26/12/2019

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CAF ROLLING STOCK UK LIMITED

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PROFIT AND LOSS ACCOUNT  
FOR THE PERIOD ENDED 31 DECEMBER 2018

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	Note	18 months ended 31 December 2018 £
Turnover	4	10,470,082
Cost of sales		(9,716,201)
Gross profit		753,881
Administrative expenses		(1,763,541)
Operating loss		(1,009,660)
Interest payable and expenses	9	(33,389)
Tax on loss	10	151,704
Loss for the financial period		(891,345)
Other comprehensive income for the period		-
Total comprehensive expense for the period		(891,345)

There were no recognised gains and losses for the 18 month period to 31 December 2018 other than those included in the profit and loss account.

All results are derived from continuing operations.

The notes on pages 12 to 29 form part of these financial statements.

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CAF ROLLING STOCK UK LIMITED  
REGISTERED NUMBER: 10854234

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BALANCE SHEET  
AS AT 31 DECEMBER 2018

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	Note	2018 £
Fixed assets		
Tangible assets	11	30,874,237
		<u>30,874,237</u>
Current assets		
Stocks	12	943,401
Debtors: Amounts falling due after more than one year	13	42,450
Debtors	13	6,637,709
Cash at bank and in hand	14	677,004
		<u>8,300,564</u>
Creditors: Amounts falling due within one year	15	(7,066,146)
Net current assets		<u>1,234,418</u>
Total assets less current liabilities		<u>32,108,655</u>
Net assets		<u><u>32,108,655</u></u>
Capital and reserves		
Called up share capital	18	33,000,000
Profit and loss account		(891,345)
		<u><u>32,108,655</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



J Villar Elorza  
Director

Date: 17-12-2019

The notes on pages 12 to 29 form part of these financial statements.

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CAF ROLLING STOCK UK LIMITED

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STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 DECEMBER 2018

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	Called up share capital £	Profit and loss account £	Total equity £
Comprehensive income for the period			
Loss for the period	-	(891,345)	(891,345)
Total comprehensive income for the period	-	(891,345)	(891,345)
Shares issued during the period	33,000,000	-	33,000,000
Total transactions with owners	33,000,000	-	33,000,000
At 31 December 2018	33,000,000	(891,345)	32,108,655

Description of Reserves

Profit and loss account

The profit and loss account represents cumulative profits and losses of the Company.

The notes on pages 12 to 29 form part of these financial statements.

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**CAF ROLLING STOCK UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2018**

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**1. General information**

CAF Rolling Stock UK Limited was incorporated on 6 July 2017 and presents its first financial statements for the period ended 31 December 2018. The Company is a private company, limited by shares and is registered in England and Wales. The Company's registered number is 10854234 and its registered office address is Coventry Technocentre, Puma Way, Coventry, CV1 2TT.

The principal activity of the Company is that of a manufacturing plant for the assembly of Rolling Stock, including the commissioning and testing of CAF Rolling Stock.

The financial statements have been presented in Pound Sterling as this is currency of the primary economic environment in which the company operates and is rounded to the nearest pound.

A summary of the Company's accounting policies, which have been consistently applied, are set out below:

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' as permitted under section 390 (3) of the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 31 DECEMBER 2018**

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**2. Accounting policies (continued)**

**2.2 Financial reporting standard 101 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Where relevant the equivalent disclosures have been given in the Group accounts of Construcciones y Auxiliar de Ferrocarriles S.A. (CAF SA). The Group accounts of CAF SA are available to the public and can be obtained as set out in the controlling party note.

**2.3 Going concern**

The accounts have been prepared on a going concern basis which the Director has based on a letter of continued support from the ultimate parent company.

**2.4 Impact of new international reporting standards, amendments and interpretations**

**IFRS 9 Financial Instruments**

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 9 from incorporation.

**IFRS 15 Revenue from Contracts with Customers**

From incorporation, the Company has applied IFRS 15 using the "Simplified Method". There have been no material impacts on the Company's financial statements as a result of this.

**IFRS 16 Leases**

IFRS 16 was published in early 2016 by the IASB with an application date of 1 January 2019. The impact on the Company will be the increase in property, plant and equipment and the financial debt of around £486k at 1 January 2019, mainly linked to property leases.



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CAF ROLLING STOCK UK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2018

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2. Accounting policies (continued)

2.5 Foreign currency translation

**Functional and presentation currency**

*The Company's functional and presentational currency is GBP.*

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the profit and loss account within 'other operating income'.

2.6 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received, excluding discounts, or other sales taxes or duty.

Revenue on manufacturing contracts and long term service agreements is recognised on the percentage of completion method; the stage of completion is assessed on manufacturing projects as the number of hours worked as a percentage of the total number of hours in the budget, and for other projects as the cost incurred to date as a percentage of the total budgeted cost. The excess of revenue measured at percentage of completion over the revenue recognised in prior periods is the revenue for the period. Cost of sales on construction contracts and long-term service agreements is computed on the same basis. Refer to Turnover Note 4 (page 21) for disclosure of revenue.

2.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 31 DECEMBER 2018**

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**2. Accounting policies (continued)**

**2.8 Government grants**

Government grants received on capital expenditure are initially recognised within deferred income on the Company's balance sheet and are subsequently recognised in profit or loss on a systematic basis over the useful life of the related capital expenditure.

Grants for revenue expenditure are presented as part of the profit or loss in the periods in which the expenditure is recognised.

**2.9 Finance costs**

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.10 Pensions**

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

**2.11 Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 31 DECEMBER 2018**

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**2. Accounting policies (continued)**

**2.12 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 3.33% - 5%
Plant and machinery	- 10%
Fixtures and fittings	- 10% - 33.33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

**2.13 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

**2.14 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at transaction value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**2.15 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 31 DECEMBER 2018**

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**2. Accounting policies (continued)**

**2.16 Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at transaction value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**2.17 Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

**2.18 Financial instruments**

The Company has implemented IFRS 9 Financial Instruments Standard and has accounted for its Financial Instruments in accordance with the standard.

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

**Financial assets**

Financial assets are classified as either financial assets 'at fair value through profit or loss' (FVTPL) or loans and receivables. Financial assets are initially recognised at fair value plus transaction costs, except for those assets classified as at fair value through profit or loss, which are initially recognised at fair value (transaction costs are expensed in operating costs).

**Financial assets at FVTPL**

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future or it is a derivative that is not designated and effective as a hedging instrument. A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise or it forms part of a contract containing one or more embedded derivatives, and IAS 39 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2018

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2. Accounting policies (continued)

2.18 Financial instruments (continued)

**Loans and receivables**

Trade and other receivables, and cash and cash equivalents, that have fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest revenue is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest revenue over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying value of the financial asset.

**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 asset have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

**Derecognition of financial assets**

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2018

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2. Accounting policies (continued)

2.18 Financial instruments (continued)

**Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' (FVTPL) or other financial liabilities.

**Financial liabilities at FVTPL**

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if it is a derivative that is not designated and effective as a hedging instrument. A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

**Other financial liabilities**

Other financial liabilities, including trade and other payables and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis. The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying value of the financial liability.

**Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled or they expire.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2018

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3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the 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.

**Judgements in applying the company's accounting policies**

There are no judgements, apart from those involving estimations (which are dealt with separately below), that management has made in the process of applying the Company's accounting policies and that would have a significant effect on the amounts recognised in the financial statements.

**Key sources of estimation uncertainty**

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

***IFRS 15 Revenue from contracts with customers***

From incorporation, the Company has applied IFRS 15 using the "Simplified Method". There have been no material impacts on the Company's financial statements as a result of this.

***Recognition of revenue - Long term contracts***

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated to reflect the proportion of work carried out at the period end, by recording turnover and related costs as contract activity progresses. Turnover is calculated on manufacturing projects as the number of hours worked as a percentage of the total number of hours in the budget, and for other projects as the cost incurred to date as a percentage of the total budgeted costs. Revenues derived from variations on contracts are recognised only when they have been accepted by our client. Full provision is made for losses on loss making contracts in the period in which they are first foreseen.

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CAF ROLLING STOCK UK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2018

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4. Turnover

Turnover, which is stated net of value added tax, represents amounts receivable for services supplied to the group. Turnover is attributable to the principal activity of the Company.

Turnover is disaggregated in accordance with IFRS 15 as follows:

	18 months ended 31 December 2018 £
Rendering of services	10,470,082
	<u>10,470,082</u>

All turnover arose within the United Kingdom.

The implementation of IFRS 15 has had no material impact to revenue recognised by the Company in the period.

5. Operating loss

The operating loss is stated after charging:

	18 months ended 31 December 2018 £
Depreciation of tangible fixed assets	266,098
Exchange differences	6,498
Other operating lease rentals	<u>202,137</u>



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CAF ROLLING STOCK UK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2018

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6. Auditors' remuneration

	18 months ended 31 December 2018 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	44,413
	<u>44,413</u>

There were no fees payable to the Company's auditor in respect of non-audit services.

7. Employees

Staff costs were as follows:

	18 months ended 31 December 2018 £
Wages and salaries	2,298,665
Social security costs	207,682
Cost of defined contribution scheme	83,722
	<u>2,590,069</u>

The average monthly number of employees, including the Directors, during the period was 37.

8. Directors' remuneration

The Directors received no emoluments for their services to the Company in the financial period presented and were paid through CAF SA.

The Directors are considered to be the key management personnel of the Company.

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CAF ROLLING STOCK UK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2018

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9. Interest payable and similar expenses

	18 months ended 31 December 2018 £
Group interest payable	33,389
	<u>33,389</u>

10. Taxation

	18 months ended 31 December 2018 £
Corporation tax	
Current tax on loss for the period	(109,254)
Total current tax	<u>(109,254)</u>
Deferred tax	
Origination and reversal of timing differences	(42,450)
Total deferred tax	<u>(42,450)</u>
Taxation on loss	<u>(151,704)</u>

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CAF ROLLING STOCK UK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2018

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10. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is the same as the standard rate of corporation tax in the UK of 19% as set out below:

	18 months ended 31 December 2018 £
Loss before tax	(1,043,049)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	(198,179)
Effects of:	
Capital allowances for period in excess of depreciation	41,482
Changes in provisions leading to an increase in the tax charge	4,993
Total tax credit for the period	(151,704)

Factors that may affect future tax charges

The main factor to consider is the decrease in tax rate following the enactment of the Finance Act 2019. As at 31 December 2018 the Finance Act 2019 had no effect on the tax charge.

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CAF ROLLING STOCK UK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2018

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11. Tangible fixed assets

	Freehold property £	Plant and machinery £	Fixtures and fittings £	Total £
<b>Cost or valuation</b>				
Additions	29,075,350	1,840,155	224,830	31,140,335
At 31 December 2018	29,075,350	1,840,155	224,830	31,140,335
<b>Depreciation</b>				
Charge for the period on owned assets	218,326	41,878	5,894	266,098
At 31 December 2018	218,326	41,878	5,894	266,098
<b>Net book value</b>				
At 31 December 2018	28,857,024	1,798,277	218,936	30,874,237

At 31 December 2018 the Company had not entered into any contractual commitments for acquisitions of PPE.

12. Stocks

	2018 £
Raw materials and consumables	943,401
	943,401

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CAF ROLLING STOCK UK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2018

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13. Debtors

	2018 £
Due after more than one year	
Deferred tax asset	42,450
	<u>42,450</u>

	2018 £
Due within one year	
Amounts owed by group undertakings	2,820,173
Prepayments and accrued income	3,817,536
	<u>6,637,709</u>

Amounts owed by group undertakings are interest free and repayable on demand.

14. Cash and cash equivalents

	2018 £
Cash at bank and in hand	677,004
	<u>677,004</u>

15. Creditors: Amounts falling due within one year

	2018 £
Trade creditors	4,284,479
Amounts owed to group undertakings	1,514,762
Other taxation and social security	404,312
Accruals	862,593
	<u>7,066,146</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

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CAF ROLLING STOCK UK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2018

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16. Financial instruments

	2018 £
<b>Financial assets</b>	
Financial assets measured at fair value through profit or loss	677,004
Financial assets that are debt instruments measured at amortised cost	2,820,173
	<u>3,497,177</u>
<b>Financial liabilities</b>	
Financial liabilities measured at amortised cost	<u>(5,799,241)</u>

Financial assets measured at fair value through profit or loss comprise of cash and bank in hand balances.

Financial assets that are debt instruments measured at amortised cost comprise of amounts due from group undertakings.

Financial liabilities measured at amortised cost comprise of trade creditors and amounts due to group undertakings.

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CAF ROLLING STOCK UK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2018

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17. Deferred taxation

	2018 £
Charged to profit or loss	42,450
At 31 December 2018	<u>42,450</u>

The deferred tax asset is made up as follows:

	2018 £
Tax losses carried forward	42,450
	<u>42,450</u>

The Directors have recognised a deferred tax asset of £42,250 relating to unused tax losses that are considered to be able to be offset against the Company's taxable profits expected to arise in the next accounting period. The Directors have based their assessment on the improved trading performance largely due to the major contract wins discussed in the business review on page 1 of the Strategic report.

18. Share capital

	2018 £
<b>Allotted, called up and fully paid</b>	
33,000,000 Ordinary Shares shares of £1.00 each	<u>33,000,000</u>

During the period the company issued 33,000,000 ordinary shares of £1 each.

The shares are ranked pari passu for voting, dividend and distribution rights (on winding up).

19. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £83,722. Contributions totalling £23,174 were payable to the fund at the balance sheet date and are included in creditors.

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CAF ROLLING STOCK UK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE PERIOD ENDED 31 DECEMBER 2018

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20. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £
<b>Land and buildings</b>	
Not later than 1 year	240,000
Later than 1 year and not later than 5 years	240,000
	<hr/>
	480,000
	<hr/>
	2018 £
<b>Other</b>	
Not later than 1 year	12,168
Later than 1 year and not later than 5 years	12,168
	<hr/>
	24,336
	<hr/>

21. Related party transactions

CAF Rolling Stock UK Limited has taken advantage of the exemption contained within paragraphs 8(k) and (j) of FRS101 and has not disclosed transactions entered into with wholly-owned group companies or key management personnel. The company has therefore not disclosed transactions or balances with entities wholly owned members of the CAF SA. group.

During the period the Company made purchases of £65,680 from BWB Consulting Limited, a company owned by the CAF SA. group.

22. Controlling party

The immediate parent company is CAF Group UK Limited, a company registered in England and Wales. The company's registered office is Coventry Techno Centre, Puma Way, Coventry, CV1 2TT.

The ultimate parent company and controlling party is Construcciones y Auxiliar de Ferrocarriles S.A., a company incorporated in Spain. The financial statements for this company can be found at the company's registered office of C/ José Miguel Iturrioz, 26, 20200 Beasain, Gipuzkoa, Spain.