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# OS AA01

## Statement of details of parent law and other information for an overseas company



Companies House

☒ **What this form is for**  
You may use this form to  
accompany your accounts  
disclosed under parent law.

☐ **What this form is for**  
You cannot use this form  
for an alteration of management  
with accounting requirements.



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ik

A22 \*A80S175C\* #7  
08/03/2019  
COMPANIES HOUSE

### Part 1 Corporate company name

Corporate name of overseas company ① EUROPEAN RAIL FINANCE LIMITED

UK establishment number B R 0 1 8 1 9 2

#### → Filling in this form

Please complete in typescript or in  
bold black capitals

All fields are mandatory unless  
specified or indicated by \*

① This is the name of the company in  
its home state

### Part 2 Statement of details of parent law and other information for an overseas company

#### A1 Legislation

Please give the legislation under which the accounts have been prepared and,  
if applicable, the legislation under which the accounts have been audited.

Legislation ②

② This means the relevant rules or  
legislation which regulates the  
preparation and, if applicable, the  
audit of accounts.

#### A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted  
accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3**.

☒ **Yes.** Please enter the name of the organisation or other  
body which issued those principles below, and then go to **Section A3**.

Name of organisation or body ③ International Financial Reporting Standards

③ Please insert the name of the  
appropriate accounting organisation  
or body.

#### A3 Accounts

Accounts


Have the accounts been audited? Please tick the appropriate box.

☐ **No.** Go to **Section A5**.

☒ **Yes.** Go to **Section A4**.

## OS AA01

### Statement of details of parent law and other information for an overseas company

<b>A4 Audited accounts</b>		
Audited accounts	<p>Have the accounts been audited in accordance with a set of generally accepted auditing standards?</p> <p>Please tick the appropriate box.</p> <p><input type="checkbox"/> <b>No.</b> Go to <b>Part 3 'Signature'</b>.</p> <p><input checked="" type="checkbox"/> <b>Yes.</b> Please enter the name of the organisation or other body which issued those standards below, and then go to <b>Part 3 'Signature'</b>.</p>	<p>① Please insert the name of the appropriate accounting organisation or body.</p>
Name of organisation or body ①	International Financial Reporting Standards	
<b>A5 Unaudited accounts</b>		
Unaudited accounts	<p>Is the company required to have its accounts audited?</p> <p>Please tick the appropriate box.</p> <p><input type="checkbox"/> <b>No.</b></p> <p><input type="checkbox"/> <b>Yes.</b></p>	
<b>Part 3 Signature</b>		
Signature	I am signing this form on behalf of the overseas company.	
	<p>Signature</p> <p><b>X</b>  <b>X</b></p>	
	<p>This form may be signed by:</p> <p>Director, Secretary, Permanent representative.</p>	

# OS AA01

Statement of details of parent law and other information for an overseas company



## Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name Michelle Sharma

Company name Eversholt Rail Limited

Address 210 Pentonville Road

Post town London

County/Region

Postcode N 1 9 J Y

Country United Kingdom

DX

Telephone 0207 380 5115



## Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.



## Important information

Please note that all this information will appear on the public record.



## Where to send

You may return this form to any Companies House address:

### England and Wales:

The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ. DX 33050 Cardiff.

### Scotland:

The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF. DX ED235 Edinburgh 1 or LP - 4 Edinburgh 2 (Legal Post).

### Northern Ireland:

The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG. DX 481 N.R. Belfast 1.



## Further information

For further information, please see the guidance notes on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

This form is available in an alternative format. Please visit the forms page on the website at [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)

# **European Rail Finance Limited**

**Annual report and financial statements  
for the financial year ended 31 December 2017**

**Registered No: IR443563**

**Annual report and financial statements**

for the financial year ended 31 December 2017

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## **Directors' report**

for the financial year ended 31 December 2017

The Directors present their Annual report together with the audited financial statements for the financial year ended 31 December 2017.

### **Principal activities**

The Company's principal activity is the leasing of rolling stock assets to another group undertaking, Eversholt Rail Leasing Limited (formerly trading as European Rail Finance (GB) Limited). This finance lease arrangement was established for the expected remaining useful economic lives of the rolling stock.

The Company forms part of the Eversholt UK Rails Group ("Group") more fully described in note 13.

### **Business review**

In the financial year the Company generated a profit of £12,770,000 (2016: £4,062,000). As at 31 December 2017 the Company had net assets of £545,130,000 (2016: £532,360,000).

The business lends its surplus cash to Eversholt Rail Limited (formerly trading as Eversholt Rail (UK) Limited). The Company has no employees.

The rental obligations under the finance lease were fully prepaid (£1,572,460,000) by Eversholt Rail Leasing Limited in the year ended 31 December 2016.

### **Risk management**

The Company is subject to the risk management objectives and policies of the Group. The objectives relevant to the Company together with an analysis of the exposure to such risks are set out in note 12 of the financial statements.

The Company is governed by an Audit Committee which has been established at the Group level.

### **Financial performance**

The results for the Company are set out in the Income statement on page 8.

The Group manages its operations on a consolidated basis, therefore the Company's directors believe that further specific performance measures for the Company are not necessary or appropriate for an understanding of its performance. Performance measures are disclosed in the accounts of Eversholt UK Rails Limited.

### **Political donations**

No political donations were made during the financial year (2016: £nil).

### **Directors**

The Directors who served at any time during the financial year and up to the date of signing were as follows:

#### **Name**

M B Kenny

A J Course

A J Wesson

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. 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.

### **Future developments**

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

### **Dividends**

The Directors do not recommend the payment of a dividend in respect of 2017 (2016: £nil).

**Directors' report (continued)**

for the financial year ended 31 December 2017

**Going concern basis**

The financial statements are prepared on a going concern basis as the Directors are satisfied that the Company has the resources, with the support of the Group, 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.

**Disclosure of information to the auditor**

Each person who is a director at the date of approval of this Annual report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Accounting records**


The Directors believe that they have complied with the requirements of Sections 281 to 285 of the Companies Act 2014 with regard to books of account by employing a service provider, which has appropriate expertise and provides adequate resources to the financial function. The books of account of the Company are maintained primarily by Eversholt Rail Limited, 210 Pentonville Road, London N1 9JY and held by European Rail Finance Limited, Newmount House, 22-24 Mount Street Lower, Dublin 2, Ireland.

The Directors acknowledge that they are responsible for securing the Company's compliance with relevant obligations.

**Auditor**

Pursuant to Section 383(2) of the Companies Act 2014, the Auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Approved by the Board and signed on its behalf by:



**M B Kenny**  
Director

Newmount House  
22-24 Mount Street Lower  
Dublin 2  
Ireland

29 March 2018



**A J Wesson**  
Director

## Statement of Directors' responsibilities

for the financial year ended 31 December 2017

The Directors are responsible for preparing the Annual report and financial statements in accordance with the Companies Act 2014.

Irish company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("relevant financial reporting 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 assets, liabilities and financial position of the Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014.

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

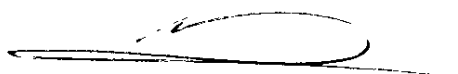
- select suitable accounting policies for the Company Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; 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 ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' report comply with the Companies Act 2014 and enable the financial statements to be audited.

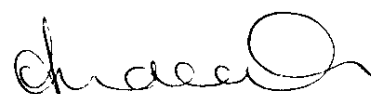
They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

These financial statements have been approved by the Board of Directors on 29 March 2018 and were signed on its behalf by:



**M B Kenny**  
Director



**A J Wesson**  
Director

Registered Office:  
Newmount House  
22-24 Mount Street Lower  
Dublin 2  
Ireland



**Independent Auditor's report to the Members of European Rail Finance Limited**  
for the financial year ended 31 December 2017

**Opinion on the financial statements of European Rail Finance Limited (the 'Company')**

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2017 and of the profit of the Company for the financial year then ended; and
- have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act 2014.

The financial statements we have audited comprise:

- the Income statement;
- the Statement of comprehensive income;
- the Statement of financial position;
- the Statement of cash flows;
- the Statement of changes in equity; and
- the related notes 1 to 15, including a summary of significant accounting policies as set out in note 3.

The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union ("the relevant financial reporting framework").

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described below 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 Ireland, including the Ethical Standard issued by the Irish Accounting and Auditing Supervisory Authority, 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 have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you were:

- 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.

**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 Auditor's report to the Members of European Rail Finance Limited (continued)**

for the financial year ended 31 December 2017

### **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 this regard.

### **Responsibilities of directors**

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, 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 (Ireland) 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.

As part of an audit in accordance with ISAs (Ireland), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity

**Independent Auditor's report to the Members of European Rail Finance Limited  
(continued)**

for the financial year ended 31 December 2017

**Auditor's responsibilities for the audit of the financial statements (continued)**

(or where relevant, the group) to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

This report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. 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.

**Report on other legal and regulatory requirements**

**Opinion on other matters prescribed by the Companies Act 2014**

Based solely on the work undertaken in the course of the audit, we report that:

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited.
- The financial statements are in agreement with the accounting records.
- In our opinion the information given in the Directors' report is consistent with the financial statements and the Directors' report has been prepared in accordance with the Companies Act 2014.

Based on the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

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

We have nothing to report in respect of the provisions in the Companies Act 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.



Makhan Chahal ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP

Statutory Auditor  
2 New Street Square, London, EC4A 3BZ  
United Kingdom

29<sup>th</sup> March 2018

## Income statement

for the financial year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Finance income	4	737	25,921
Finance expense	5	-	(14,895)
Administrative income/(expense)	6	2	(144)
Profit on disposal of property, plant and equipment		-	12
<b>Profit before tax</b>		<b>739</b>	<b>10,894</b>
Income tax credit/(charge)	7	<b>12,031</b>	<b>(6,832)</b>
<b>Profit for the financial year</b>		<b>12,770</b>	<b>4,062</b>

There were no discontinued or discontinuing operations during the financial year.

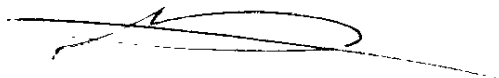
The notes on pages 12 to 20 form an integral part of these financial statements.

## Statement of comprehensive income

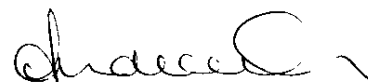
for the financial year ended 31 December 2017

There has been no comprehensive income or expense other than the profit for the financial year as shown above (2016: £nil).

The financial statements were approved by the Board of Directors and authorised for issue on 29 March 2018. They were signed on its behalf by:



**M B Kenny**  
Director



**A J Wesson**  
Director

Company registration number: IR443563

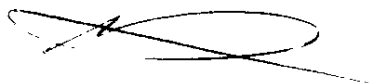
# Statement of financial position

as at 31 December 2017

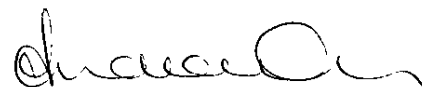
	<b>Note</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Loan receivable	<b>9</b>	<u>559,064</u>	<u>558,776</u>
		<b>559,064</b>	<b>558,776</b>
<b>Total assets</b>		<u><b>559,064</b></u>	<u><b>558,776</b></u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	<b>10</b>	<u>113</u>	<u>565</u>
Current tax		<u>13,821</u>	<u>25,851</u>
		<b>13,934</b>	<b>26,416</b>
<b>Total liabilities</b>		<u><b>13,934</b></u>	<u><b>26,416</b></u>
<b>Equity</b>			
Share capital	<b>11</b>	<u>50,000</u>	<u>50,000</u>
Retained earnings		<u>495,130</u>	<u>482,360</u>
<b>Total equity</b>		<u><b>545,130</b></u>	<u><b>532,360</b></u>
<b>Total equity and liabilities</b>		<u><b>559,064</b></u>	<u><b>558,776</b></u>

The notes on pages 12 to 20 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 29 March 2018. They were signed on its behalf by:



**M B Kenny**  
Director



**A J Wesson**  
Director

Company registration number: IR443563

## Statement of cash flows

for the financial year ended 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Cash flow from operating activities</b>			
Profit before tax		739	10,894
Adjustments for:			
- Profit on disposal of property, plant and equipment		-	(12)
- Finance income	4	(737)	(25,921)
- Finance expense	5	-	14,895
<b>Operating cash flow before movement in working capital</b>		<b>2</b>	<b>(144)</b>
Decrease in finance lease receivable		-	1,572,460
Decrease in trade and other receivables		-	121
Decrease in trade and other payables		(452)	(6,186)
Tax paid		-	(30,275)
<b>Net cash (utilised in)/generated by operating activities</b>		<b>(450)</b>	<b>1,535,976</b>
<b>Cash flow from investing activities</b>			
Proceeds on disposal of property, plant and equipment		-	12
<b>Net cash generated by investing activities</b>		<b>-</b>	<b>12</b>
<b>Cash flow from financing activities</b>			
Movement in working capital loan with Eversholt Rail Limited		(287)	(1,547,014)
Finance income received		737	25,921
Finance expense paid		-	(14,895)
<b>Net cash generated by/(utilised in) financing activities</b>		<b>450</b>	<b>(1,535,988)</b>
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the financial year		-	-
<b>Cash and cash equivalents at end of the financial year</b>		<b>-</b>	<b>-</b>

**Statement of changes in equity**

for the financial year ended 31 December 2017

	<b>Note</b>	<b>Share capital £'000</b>	<b>Retained earnings £'000</b>	<b>Total shareholder's equity £'000</b>
Balance at 1 January 2016	<b>11</b>	50,000	478,298	528,298
Total comprehensive income		-	4,062	4,062
<b>Balance at 31 December 2016</b>		<b>50,000</b>	<b>482,360</b>	<b>532,360</b>
Total comprehensive income		-	12,770	12,770
<b>Balance at 31 December 2017</b>		<b>50,000</b>	<b>495,130</b>	<b>545,130</b>

During the financial year the Company paid a dividend of nil per share (2016: £nil per share).

## Notes to the annual financial statements

for the financial year ended 31 December 2017

### 1 General Information

European Rail Finance Limited (the "Company"), is a private company incorporated in the Republic of Ireland under the Companies Act and is limited by shares (see note 11). The registered office of the Company is Newmount House, 22-24 Mount Street Lower, Dublin 2, Ireland.

The place of central management and control of the Company is based in the UK, where the Company is tax resident.

### 2 Basis of Preparation

These financial statements are presented in sterling being the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

#### 2.1 Compliance with International Financial Reporting Standards

The financial statements of the Company 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 2017, there were no unendorsed standards effective for the financial year ended 31 December 2017 affecting these Company 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 financial year ended 31 December 2017 are prepared in accordance with IFRSs as issued by the IASB and endorsed by the EU.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the IFRS Interpretations Committee and its predecessor body.

#### 2.2 Standards and Interpretations issued by the IASB

During the year, the Company adopted a number of interpretations and amendments to standards which had an insignificant effect on the financial statements. At 31 December 2017, a number of standards and amendments to standards have been issued by the IASB, which are not effective for the Company's financial statements as at 31 December 2017. The following Adopted IFRSs have been issued but have not been applied by the Company in these financial statements. Their adoption does not have a material effect on the financial statements unless otherwise indicated.

- IFRS 9 Financial Instruments (mandatory for periods beginning on or after 1 January 2018).
- IFRS 15 Revenue from Contracts with Customers (mandatory for periods beginning on or after 1 January 2018).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (mandatory for periods beginning on or after 1 January 2018).
- IFRS 16 Leases (mandatory for periods beginning on or after 1 January 2019).

#### 2.3 Going concern

The Company's forecasts and projections taking account of reasonably possible changes in trading performance show that the Company, having the commitment of support from the parent, has adequate resources to continue in the operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing financial statements.



## Notes to the annual financial statements (continued)

for the financial year ended 31 December 2017

### 3 Summary of significant accounting policies

The principal accounting policies adopted are set out below and have been applied consistently to all years presented in these financial statements.

#### 3.1 Fees and commission income

Income earned on the execution of a significant act is recognised as revenue when the act is completed. Income earned from the provision of services is recognised as revenue as the services are provided and income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in 'Finance income'.

#### 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 rate method is a way of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant financial year.

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.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

#### 3.3 Income tax

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

Current tax is the tax expected to be payable on the taxable profit for the financial year, calculated using tax rates enacted or substantively enacted by the end of the financial year and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Company intends to settle on a net basis and the legal right to offset exists.

#### 3.4 Foreign currencies

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the end of the financial year. Any resulting exchange differences are included in the Income statement.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined.

**Notes to the annual financial statements (continued)**  
for the financial year ended 31 December 2017

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

**3.5 Financial instruments**

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

**3.5.1 Financial assets**

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

The Company holds the following classes of financial assets.

**3.5.1.1 Loans and receivables**

Loans and receivables include receivables originated by the Company which are not classified either as held for trading or designated at fair value. Loans and receivables are recognised when cash is advanced to borrowers. They are derecognised when either borrowers repay their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

**3.5.2 Financial liabilities**

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

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

**3.5.3 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. If there is an indication that an impairment exists, the recoverable amount of the asset is estimated to determine the extent of the impairment.

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

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

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

**3.5.4 Offsetting financial assets and financial liabilities**

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

**Notes to the annual financial statements (continued)**  
for the financial year ended 31 December 2017

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

**3.5 Financial instruments (continued)**

**3.5.5 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

**3.6 Statement of cash flows**

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

**3.7 Share capital**

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

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

**3.8 Use of judgements, estimates and assumptions**

In the application of the Company's accounting policies, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the financial year in which the estimate is revised if the revision affects only that year or in the financial year of revision and future years if the revision affects both current and future years.

No significant judgements have been required in the process of applying the Company's accounting policies and there are no sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**3.9 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

**Notes to the annual financial statements (continued)**  
for the financial year ended 31 December 2017

**4 Finance income**

	<b>Note</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Interest receivable from Eversholt Rail Limited		737	-
Interest receivable from Eversholt Rail Leasing Limited		-	25,921
		<u>737</u>	<u>25,921</u>

The rental obligations under the finance lease were fully prepaid by Eversholt Rail Leasing Limited in the year ended 31 December 2016.

**5 Finance expense**

	<b>2017 £'000</b>	<b>2016 £'000</b>
Interest payable to Eversholt Rail Limited	-	(14,895)
	<u>-</u>	<u>(14,895)</u>

**6 Administrative expense**

Administrative expense includes the following:

	<b>2017 £'000</b>	<b>2016 £'000</b>
Management fee payable to Eversholt Rail Limited	-	(100)
Management fee refund from/(payable to) Eversholt Investment Limited	10	(10)
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	(5)	(25)

The Company has no employees and hence no staff costs (2016: £nil). The Directors have been paid by another group undertaking, Eversholt Rail Limited. No specific charge has been made to the Company in this regard.

**7 Income tax credit/(charge)**

	<b>2017 £'000</b>	<b>2016 £'000</b>
<b>Current tax</b>		
UK corporation tax on current financial year profit	(142)	(2,179)
Prior financial year adjustment	12,173	(4,653)
<b>Income tax credit/(charge)</b>	<u>12,031</u>	<u>(6,832)</u>

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

	<b>2017 £'000</b>	<b>2016 £'000</b>
<b>Profit before tax</b>	739	10,894
Taxation at UK corporation tax rate of 19.25% (2016: 20%)	(142)	(2,179)
Prior financial year adjustment	12,173	(4,653)
<b>Income tax credit/(charge)</b>	<u>12,031</u>	<u>(6,832)</u>

## Notes to the annual financial statements (continued)

for the financial year ended 31 December 2017

### 8 Dividends

For the financial year ended 31 December 2017 no dividends were paid to European Rail Finance (2) Limited (2016: £nil).

### 9 Loan receivable

	2017 £'000	2016 £'000
<b>Non-current</b>		
Eversholt Rail Limited	<u>559,064</u>	<u>558,776</u>

The intragroup working capital loan to Eversholt Rail Limited is classified as non-current as it is repayable on 4 November 2022. Borrowing entities may prepay and withdraw loans until the repayment date. Interest on the loan is receivable monthly at a LIBID, less margin (2016: LIBID, less margin).

### 10 Trade and other payables

	2017 £'000	2016 £'000
Accruals	<u>113</u>	<u>565</u>

### 11 Share capital

	2017 £'000	2016 £'000
<b>Authorised</b>		
100,000,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<b>Issued, allotted, called up and fully paid</b>		
50,000,001 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

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

### 12 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.

Sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 3.8.

#### Capital risk management

The Board actively monitors the capital structure of the Company to ensure that it is able to continue as a going concern. Consideration is given to the costs and risks associated with each class of capital.

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

**Notes to the annual financial statements (continued)**

for the financial year ended 31 December 2017

**12 Risk management (continued)****Credit risk management**

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its obligations under a contract. It arises principally from intra-group loan receivables described in note 9. The maximum exposure to credit risk at 31 December 2017 amounts to the carrying value of these receivables.

**Market risk management**

The Company has limited exposure to foreign exchange risk on its financial assets and financial liabilities. The only exposure is in the Company's Euro denominated bank balance. Minimal balances are retained in this account and as at 31 December 2017 the balance in this account was £nil.

The Company has exposure to fluctuations in interest rates. The cash flow exposure is managed at a group level through the use of interest rate swaps. The net cost or benefit of the use of swaps is taken into account in determining the interest charged on loans to and from other group entities.

**Interest rate sensitivity analysis**

The impact of a 5 basis points increase in GBP LIBID would have resulted in an increase in intercompany working capital interest receipt of £103,218. The sensitivity analysis is applied to the deposit rate and performed on the monthly balance of the relevant financial instrument.

**Liquidity risk management**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its cash flow requirements on a daily basis and compares expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. The Company borrows funds from another Group entity to meet any shortfall. Conversely, the Company lends any surplus funds to other Group entities.

The Company's assets, net of deferred tax, are funded principally by equity and retained earnings.

Undiscounted cash flows related to the financial assets and financial liabilities are analysed below by their contractual due date, including estimated interest cash flows where appropriate:

	Carrying value £'000	Contractual cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
<b>31 December 2017</b>						
<b>Financial assets</b>						
Loans and receivables						
- Intercompany loan receivable	559,064	559,064	-	-	559,064	-
<b>Financial liabilities</b>						
<b>Non-derivative instruments-</b>						
<b>Amortised cost</b>						
- Trade and other payables	113	113	-	113	-	-
<b>Total financial instruments</b>	<b>558,951</b>	<b>558,951</b>	<b>-</b>	<b>(113)</b>	<b>559,064</b>	<b>-</b>

**Notes to the annual financial statements (continued)**  
for the financial year ended 31 December 2017

**12 Risk management (continued)**

**Liquidity risk management (continued)**

	Carrying value £'000	Contractual cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
<b>31 December 2016</b>						
<b>Financial assets</b>						
Loans and receivables						
- Intercompany loan receivable	558,776	558,776	-	-	558,776	-
<b>Financial liabilities</b>						
<b>Non-derivative instruments- Amortised cost</b>						
- Trade and other payables	565	565	-	565	-	-
<b>Total financial instruments</b>	<b>558,211</b>	<b>558,211</b>	<b>-</b>	<b>(565)</b>	<b>558,776</b>	<b>-</b>

There are no material differences between the carrying value and the fair value of other financial assets and liabilities as at 31 December 2017 (2016: £nil).

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

**13 Related-party transactions**

**13.1 Identity of related parties**

The Company has a related party relationship with its directors (refer page 2) and with its fellow group undertakings of the Eversholt UK Rails Group, namely:

- Eversholt UK Rails Limited
- Eversholt UK Rails (Holding) Limited
- European Rail Finance Holdings Limited
- Eversholt Investment Limited
- Eversholt Rail Leasing Limited
- Eversholt Finance Holdings Limited
- Eversholt Rail Holdings (UK) Limited
- Eversholt Funding plc
- Eversholt Rail Limited
- Eversholt Depot Finance Limited (formerly trading as Eversholt Depot Finance (UK) Limited)
- Eversholt Rail (380) Limited
- Eversholt Rail (365) Limited
- European Rail Finance (2) Limited

The ultimate parent undertaking (which is the ultimate controlling party) is CK Hutchison Holdings Limited, incorporated in Cayman Islands. The parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member is CK Hutchison Holdings Limited. The immediate holding company is European Rail Finance (2) Limited. The results of the Company are included in the Group financial statements of CK Hutchison Holdings Limited.

**Notes to the annual financial statements (continued)**

for the financial year ended 31 December 2017

**13 Related-party transactions (continued)**

**13.2 Transactions with related parties**

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

Loans and finance lease arrangements with related parties are more fully described in note 9 and the Directors' report. Interest receivable/(payable) on these loan accounts are more fully described in notes 4 and 5.

A management fee of £nil has been paid to Eversholt Rail Limited (2016: £100,000). A management fee refund of £10,000 has been received from Eversholt Investment Ltd (2016: £10,000 paid).

**14 Contingent liabilities**

There were no contingent liabilities for the Company at 31 December 2017 (2016: £nil).

**15 Subsequent events**

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