

# **European Rail Finance Holdings Limited**

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

**Registered No: IR443562**

**Annual report and financial statements**

for the financial year ended 31 December 2017

| <b>Contents</b>                          | <b>Page</b> |
|--|-------------|
| Directors' report                        | 2           |
| Statement of Directors' responsibilities | 4           |
| Independent Auditor's report             | 5           |
| Income statement                         | 8           |
| Statement of comprehensive income        | 8           |
| Statement of financial position          | 9           |
| Statement of cash flows                  | 10          |
| Statement of changes in equity           | 11          |
| Notes to the annual financial statements | 12          |

## **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 continues to hold all of the share capital of European Rail Finance (2) Limited, Eversholt Rail Leasing Limited (formerly trading as European Rail Finance (GB) Limited) and Eversholt Finance Holdings Limited. The Company forms part of the Eversholt UK Rails Group ("Group") more fully described in note 14.

During the financial year the group received a capital contribution of £25,000,000 from its immediate parent company, Eversholt Investment Limited, which funded the redemption of profit participating shares owed by the Company.

On 20 December 2016 the Company's place of central management and control was transferred from Ireland to the UK. As a result of this transfer, the Company became tax resident in the UK on 20 December 2016.

### **Business review**

In the financial year the Company generated a profit of £98,898,000 (2016: £35,511,000). As at 31 December 2017 the Company had net assets of £465,596,000 (2016: £440,698,000).

The Company is funded by equity and borrowings from group undertakings. The Company has no employees.

### **Risk management**

The Company is subject to the risk management objectives and policies of the Group. These objectives, together with an analysis of the exposure to such risks, are set out in note 13 of the financial statements.

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

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

### **Financial performance**

The Company's results for the financial year are detailed 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 for the Group 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.

## **Directors' report (continued)**

for the financial year ended 31 December 2017

### **Future developments**

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

### **Dividends**

The Directors declared a dividend of £99,000,000 on 12 December 2017 (2016: £35,000,000). Dividend payments are reflected in the financial statements in the financial year in which they are declared.

### **Going concern basis**

The financial statements are prepared on the 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 the 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 Holdings 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

Registered Office:  
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 Holdings Limited**

for the financial year ended 31 December 2017

### **Opinion on the financial statements of European Rail Finance Holdings 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 16, 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 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.

### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the 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.

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.

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

for the financial year ended 31 December 2017

### **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 (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.

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

for the financial year ended 31 December 2017

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

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  
For and on behalf of Deloitte LLP  
Statutory Auditor  
2 New Street Square, London, EC4A 3BZ  
London

29<sup>th</sup> March 2018

## Income statement

for the financial year ended 31 December 2017

|                                      | Note | 2017<br>£'000 | 2016<br>£'000 |
|--------------------------------------|------|---------------|---------------|
| Finance expense                      | 4    | (1,124)       | (1,466)       |
| Dividend income                      | 5    | 100,000       | 37,000        |
| Administrative expense               | 6    | (10)          | (23)          |
| <b>Profit before tax</b>             |      | <b>98,866</b> | <b>35,511</b> |
| Income tax credit                    | 7    | 32            | -             |
| <b>Profit for the financial year</b> |      | <b>98,898</b> | <b>35,511</b> |

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

The notes on pages 12 to 19 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 IR443562

# Statement of financial position

as at 31 December 2017

|                                     | Note | 2017<br>£'000         | 2016<br>£'000         |
|-------------------------------------|------|-----------------------|-----------------------|
| <b>Assets</b>                       |      |                       |                       |
| <b>Non-current assets</b>           |      |                       |                       |
| Investment in subsidiaries          | 8    | <u>517,511</u>        | <u>517,511</u>        |
| <b>Current assets</b>               |      |                       |                       |
| Current tax asset                   | 7    | <u>32</u>             | <u>-</u>              |
| <b>Total assets</b>                 |      | <u><b>517,543</b></u> | <u><b>517,511</b></u> |
| <b>Liabilities and equity</b>       |      |                       |                       |
| <b>Current liabilities</b>          |      |                       |                       |
| Trade and other payables            | 9    | <u>47</u>             | <u>375</u>            |
| <b>Non-current liabilities</b>      |      |                       |                       |
| Borrowings                          | 10   | <u>51,900</u>         | <u>76,438</u>         |
| <b>Total liabilities</b>            |      | <u><b>51,947</b></u>  | <u><b>76,813</b></u>  |
| <b>Equity</b>                       |      |                       |                       |
| Share capital                       | 11   | 500                   | 500                   |
| Capital contribution                |      | 125,000               | 100,000               |
| Retained earnings                   |      | <u>340,096</u>        | <u>340,198</u>        |
| <b>Total equity</b>                 |      | <u><b>465,596</b></u> | <u><b>440,698</b></u> |
| <b>Total equity and liabilities</b> |      | <u><b>517,543</b></u> | <u><b>517,511</b></u> |

The notes on pages 12 to 19 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 IR443562

**Statement of cash flows**

for the financial year ended 31 December 2017

|   | <i>Note</i> | <b>2017<br/>£'000</b> | <b>2016<br/>£'000</b> |
|---|-------------|-----------------------|-----------------------|
| <b>Cash flow from operating activities</b>                    |             |                       |                       |
| Profit before tax   |             | <b>98,866</b>         | 35,511                |
| Adjustment for:   |             |                       |                       |
| - Finance expense   | <b>4</b>    | <b>1,124</b>          | 1,466                 |
| <b>Operating cash flow before changes in working capital</b>  |             | <b>99,990</b>         | 36,977                |
| Decrease in trade and other payables (accruals)               | <b>9</b>    | <b>(3)</b>            | <b>(2)</b>            |
| <b>Cash flow generated by operating activities</b>            |             | <b>99,987</b>         | 36,975                |
| Taxation paid   |             | -                     | -                     |
| <b>Net cash generated by operating activities</b>             |             | <b>99,987</b>         | 36,975                |
| <b>Cash flow from financing activities</b>                    |             |                       |                       |
| Movement on working capital loan with Eversholt Rail Limited  |             | <b>462</b>            | (447)                 |
| Capital contribution  |             | <b>25,000</b>         | -                     |
| Redemption of profit participating preferences shares         |             | <b>(25,000)</b>       | -                     |
| Preference dividends paid                                     |             | <b>(1,287)</b>        | (1,358)               |
| Finance expense paid  |             | <b>(162)</b>          | (170)                 |
| Dividends paid on ordinary shares                             |             | <b>(99,000)</b>       | (35,000)              |
| <b>Net cash utilised in financing activities</b>              |             | <b>(99,987)</b>       | (36,975)              |
| 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> |             | -                     | -                     |

**Statement of changes in equity**

for the financial year ended 31 December 2017

|  | Note | Share capital<br>£'000 | Capital<br>contribution<br>£'000 | Retained<br>earnings<br>£'000 | Total equity<br>£'000 |
|--|------|------------------------|----------------------------------|-------------------------------|-----------------------|
| Balance at 1 January 2016                              | 11   | 500                    | 100,000                          | 339,687                       | 440,187               |
| Total comprehensive income                             |      | -                      | -                                | 35,511                        | 35,511                |
| Dividends paid   | 5    | -                      | -                                | (35,000)                      | (35,000)              |
| <b>Balance at 31 December 2016</b>                     |      | <b>500</b>             | <b>100,000</b>                   | <b>340,198</b>                | <b>440,698</b>        |
| Total comprehensive income                             |      | -                      | -                                | 98,898                        | 98,898                |
| Dividends paid   | 5    | -                      | -                                | (99,000)                      | (99,000)              |
| Investment from parent Eversholt<br>Investment Limited |      | -                      | 25,000                           | -                             | 25,000                |
| <b>Balance at 31 December 2017</b>                     |      | <b>500</b>             | <b>125,000</b>                   | <b>340,096</b>                | <b>465,596</b>        |

Included in retained earnings is £339,125,444 which is non-distributable (2016: £339,125,444).

During the financial year the Company paid a dividend of £198 per share (2016: £70 per share).

## Notes to the annual financial statements

for the financial year ended 31 December 2017

### 1. General Information

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

On 20 December 2016 the place of central management and control was transferred to the UK. As a result of this transfer, the Company became tax resident in the UK on 20 December 2016.

### 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.

The Company is exempt from the requirement to prepare consolidated financial statements by section 293 of the Companies Act 2014. These financial statements present information about the Company as an individual undertaking.

#### 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 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 financial 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 its parent, Eversholt Investment Limited, 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 periods presented in these financial statements.

#### 3.1 Finance income and expense

Finance income and expense for all interest bearing financial instruments is recognised in 'Finance income' and 'Finance expense' in the Income statement using the effective interest rate method. The effective interest 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 period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability on initial recognition. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses.

The calculation includes all amounts paid or received by the Company that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

Borrowing costs are recognised in profit and loss in the period in which they are incurred.

#### 3.2 Income tax

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

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

#### 3.3 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 reporting period. 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.

#### 3.4 Dividend income

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

#### 3.5 Subsidiaries

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

## Notes to the annual financial statements (continued)

for the financial year ended 31 December 2017

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

#### 3.6 Financial instruments

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

##### 3.6.1 Loans and receivables

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

##### 3.6.2 Financial liabilities

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

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

##### 3.6.3 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 paid or received).

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

Fair values are calculated by discounting future cash flows on financial instruments, using equivalent current interest rates.

#### 3.7 Statement of cash flows

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

#### 3.8 Share capital

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

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

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

for the financial year ended 31 December 2017

**3. Summary of significant accounting policies (continued)****3.9 Use of judgements, estimates and assumptions**

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

There are no accounting policies that are deemed critical to the Company's results and financial position, in terms of materiality of the items to which the policy is applied, which involve a high degree of judgement and estimation. 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.

**3.10 Preference shares**

Preference shares are classified as a non-current liability as the holders of these shares have a fixed entitlement to a dividend. The dividend payable is recorded within finance expense.

**4. Finance expense**

|  | 2017<br>£'000  | 2016<br>£'000  |
|--|----------------|----------------|
| Dividend on profit participating preference shares | (467)          | (801)          |
| Dividend on fixed rate preference shares           | (495)          | (495)          |
| Interest payable to Eversholt Rail Limited         | (162)          | (170)          |
|  | <u>(1,124)</u> | <u>(1,466)</u> |

**5. Dividends**

During the financial year, the Company received dividends of £nil from European Rail Finance (2) Limited (2016: £1,000,000) and £100,000,000 from Eversholt Rail Leasing Limited (2016: £36,000,000).

The Company paid dividends of £99,000,000 during the financial year (2106: £35,000,000).

**6. Administrative expense**

|   | 2017<br>£'000 | 2016<br>£'000 |
|---|---------------|---------------|
| Administrative expense includes the following:  |               |               |
| Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements | (10)          | (6)           |

The Company has no employees and hence no staff costs (2016: nil).

Certain 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**

|                                | 2017<br>£'000 | 2016<br>£'000 |
|--------------------------------|---------------|---------------|
| <b>Current tax</b>             |               |               |
| - On current year profit       | 31            | -             |
| - On Prior year profit         | 1             | -             |
| <b>Total income tax credit</b> | <u>32</u>     | <u>-</u>      |

The Irish corporation tax rate applying to the Company until 19 December 2016 was 12.5%. The UK tax rate applying to the profits of the Company for the year ended 31 December 2017 was 19.25% (period from 20 December 2016 to 31 December 2016: 20%).

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

for the financial year ended 31 December 2017

**7. Income tax credit (continued)**

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

|  | 2017<br>£'000 | 2016<br>£'000 |
|--|---------------|---------------|
| Profit before tax                                      | 98,866        | 35,511        |
| Taxation at corporation tax rate of 19.25% (2016: 20%) | (19,032)      | (7,102)       |
| Non-taxable income                                     | 19,063        | 7,102         |
| Prior year adjustment                                  | 1             | -             |
| Income tax credit                                      | 32            | -             |

**8. Investments in subsidiaries**

|                                   | 2017<br>£'000 | 2016<br>£'000 |
|-----------------------------------|---------------|---------------|
| Cost at 1 January and 31 December | 517,511       | 517,511       |

The subsidiary undertakings of the Company at the end of the financial year were:

| Name of Undertaking   | Class of Capital | Country of Incorporation | Type of business    | Ownership Percentage |      |
|---|------------------|--------------------------|---------------------|----------------------|------|
|   |                  |                          |                     | 2017                 | 2016 |
| European Rail Finance Limited*  | Ordinary Shares  | Ireland**                | Leasing             | 100%                 | 100% |
| Eversholt Rail Leasing Limited  | Ordinary Shares  | England***               | Leasing             | 100%                 | 100% |
| Eversholt Rail Holdings (UK) Limited*   | Ordinary Shares  | England***               | Investment          | 100%                 | 100% |
| Eversholt Rail Limited*   | Ordinary Shares  | England***               | Management services | 100%                 | 100% |
| Eversholt Depot Finance Limited* (formerly trading as Eversholt Depot Finance (UK) Limited) | Ordinary Shares  | England***               | Leasing             | 100%                 | 100% |
| Eversholt Rail (365) Limited*   | Ordinary Shares  | England***               | Leasing             | 100%                 | 100% |
| Eversholt Rail (380) Limited*   | Ordinary Shares  | England***               | Dormant             | 100%                 | 100% |
| Eversholt Finance Holdings Limited  | Ordinary Shares  | England***               | Investment          | 100%                 | 100% |
| Eversholt Funding plc*  | Ordinary Shares  | England***               | Financing           | 100%                 | 100% |
| European Rail Finance (2) Limited   | Ordinary Shares  | Ireland**                | Investment          | 100%                 | 100% |

\* Indirect subsidiaries

\*\* Registered office: Newmount House, 22-24 Mount Street Lower, Dublin 2, Ireland

\*\*\* Registered office: 210 Pentonville, London, N1 9JY

**9. Trade and other payables**

|                                       | 2017<br>£'000 | 2016<br>£'000 |
|---------------------------------------|---------------|---------------|
| Accrued interest on preference shares | 42            | 367           |
| Accruals                              | 5             | 8             |
|                                       | 47            | 375           |

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

for the financial year ended 31 December 2017

**10. Borrowings**

|  | 2017<br>£'000 | 2016<br>£'000 |
|--|---------------|---------------|
| <b>Non-current</b>                     |               |               |
| Fixed rate preference shares           | 49,500        | 49,500        |
| Profit participating preference shares | -             | 25,000        |
| Eversholt Rail Limited                 | 2,400         | 1,938         |
|  | <u>51,900</u> | <u>76,438</u> |

The fixed rate preference shares, being £49,500,000 fixed rate preference shares of £1 each, are held by Eversholt Investment Limited. Dividends are paid annually at a rate of 1% per annum.

The 25,000,000 profit participating shares (PPS) of £1 were redeemed on 27 October 2017 funded by a capital contribution received from the Company's immediate parent Eversholt Investment Limited.

The intragroup loan with Eversholt Rail Limited is classified as non-current as it is repayable on 4 November 2022. Borrowing entities may prepay and redraw loans until the repayment date. Interest on the loan is payable monthly at a floating rate, which substantially matches the rate of the Group's senior debt, plus margin (2016: Group's senior debt, plus margin).

**11. Share capital**

|  | 2017<br>£'000 | 2016<br>£'000 |
|--|---------------|---------------|
| <b>Authorised</b>  |               |               |
| 50,500,000 Ordinary shares of £1 each (2016: 50,500,000) | <u>50,500</u> | <u>50,500</u> |
| <b>Issued, allotted, called up and fully paid</b>        |               |               |
| 500,001 Ordinary shares of £1 each (2016: 500,001)       | <u>500</u>    | <u>500</u>    |

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

**12. Fair value of financial assets and liabilities**

There are no material differences between the carrying value and the fair value of financial assets and liabilities as at 31 December 2017 and 31 December 2016.

**13. Risk management**

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

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 3.9.

**Capital risk management**

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

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

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

for the financial year ended 31 December 2017

**13. Risk management (continued)****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.

The Company's assets are funded principally by borrowings from another group entity.

Undiscounted cash flows payable to meet financial liabilities are analysed below by their contractual due date, including estimated interest cash flows where appropriate.

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.

|   | Carrying<br>value<br>£'000 | Contractual<br>cash flows<br>£'000 | On demand<br>£'000 | Due within<br>1 year<br>£'000 | Due between<br>1-5 years<br>£'000 | Due after<br>5 years<br>£'000 |
|---|----------------------------|------------------------------------|--------------------|-------------------------------|-----------------------------------|-------------------------------|
| <b>31 December 2017</b>                     |                            |                                    |                    |                               |                                   |                               |
| <b>Financial liabilities</b>                |                            |                                    |                    |                               |                                   |                               |
| Non-derivative instruments – amortised cost |                            |                                    |                    |                               |                                   |                               |
| - Trade and other payables                  | 47                         | 47                                 | -                  | 47                            | -                                 | -                             |
| - Borrowings                                | 2,400                      | 2,400                              | -                  | -                             | 2,400                             | -                             |
| - Preference shares                         | 49,500                     | 49,500                             | -                  | -                             | -                                 | 49,500                        |
|   | <u>51,947</u>              | <u>51,947</u>                      | -                  | <u>47</u>                     | <u>2,400</u>                      | <u>49,500</u>                 |
| <b>Total financial instruments</b>          | <u>(51,947)</u>            | <u>(51,947)</u>                    | -                  | <u>(47)</u>                   | <u>(2,400)</u>                    | <u>(49,500)</u>               |
| <b>31 December 2016</b>                     |                            |                                    |                    |                               |                                   |                               |
| <b>Financial liabilities</b>                |                            |                                    |                    |                               |                                   |                               |
| Non-derivative instruments – amortised cost |                            |                                    |                    |                               |                                   |                               |
| - Trade and other payables                  | 375                        | 375                                | -                  | 375                           | -                                 | -                             |
| - Borrowings                                | 1,938                      | 1,938                              | -                  | -                             | 1,938                             | -                             |
| - Preference shares                         | 74,500                     | 74,500                             | -                  | -                             | 25,000                            | 49,500                        |
|   | <u>76,813</u>              | <u>76,813</u>                      | -                  | <u>375</u>                    | <u>26,938</u>                     | <u>49,500</u>                 |
| <b>Total financial instruments</b>          | <u>(76,813)</u>            | <u>(76,813)</u>                    | -                  | <u>(375)</u>                  | <u>(26,938)</u>                   | <u>(49,500)</u>               |

**Market risk management**

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

The Company has exposure to fluctuation in interest rates. This exposure is managed at a group level.

|                                  | 2017<br>£'000 | 2016<br>£'000 |
|----------------------------------|---------------|---------------|
| <b>Fixed rate instruments</b>    |               |               |
| Financial liabilities            | <u>49,500</u> | <u>49,500</u> |
| <b>Variable rate instruments</b> |               |               |
| Financial liabilities            | <u>2,400</u>  | <u>26,938</u> |

## Notes to the annual financial statements (continued)

for the financial year ended 31 December 2017

### 13. Risk management (continued)

#### Interest rate sensitivity analysis

The impact of a 50 basis points increase in LIBOR would have resulted in a increase in intercompany working capital interest expense of £3,431. The sensitivity analysis is applied to the borrowing rate and performed on the monthly balance of the relevant financial instrument.

### 14. Related-party transactions

#### 14.1 Identity of related parties

The Company has a related party relationship with its Directors (refer page 2) and with other entities in the Eversholt UK Rails Group namely:

- Eversholt UK Rails Limited
- Eversholt UK Rails (Holding) Limited
- Eversholt Investment Limited
- European Rail Finance Limited
- Eversholt Rail Leasing Limited
- Eversholt Rail Holdings (UK) Limited
- Eversholt Finance Holdings Limited
- Eversholt Funding plc
- Eversholt Rail Limited
- Eversholt Depot Finance 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. Eversholt Investment Limited is the immediate holding company. The results of the Company are included in the Group financial statements of CK Hutchison Holdings Limited.

Copies of the Group financial statements of CK Hutchison Holdings Limited may be obtained from the following address:

PO Box 309  
Ugland House  
Grand Cayman  
KY1-1104  
Cayman Islands

#### 14.2 Transactions with related parties

The Company has loan accounts with fellow group undertakings more fully described in note 10. Interest on these accounts is more fully described in note 4.

The fixed rate preference dividend payable to Eversholt Investment Limited is disclosed in note 4.

Management fees of £nil payable to Eversholt Investment Limited (2016: £10,000).

### 15. Contingent liabilities

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

### 16. Subsequent events

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