Eversholt Depot Finance (UK) Limited

Annual report and financial statements
for the year ended 31 December 2016

Registered No: 05229765

Annual report and financial statements
for the year ended 31 December 2016

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Strategic report
for the year ended 31 December 2016

Business review

Eversholt Depot Finance (UK) Limited (the "Company"), earns both operating and finance lease income from the depots it owns. The Company forms part of the Eversholt Rail Group ("ERG" or "Group") more fully described in note 19.

A fellow group undertaking, Eversholt Rail (UK) Limited, provides asset management and administrative services to the Company, charging an annual management fee.

The business is funded principally by other group undertakings through borrowings.

The Company has no employees.

Risk management

The Company has established financial risk management objectives and policies. These objectives, together with an analysis of the exposure to such risks, are set out in note 17 of the financial statements.

Performance

The Company's results for the year are as detailed in the Income statement on page 8.

The Group is financed by a mix of equity and senior debt. The terms of senior debt require compliance with certain covenants and ratios which are calculated and forecast as part of monthly internal management reporting. In addition to key financial measures, the Group monitors a number of key non-financial indicators relating to asset performance including condition, reliability and maintenance as well as the number and value of off-lease assets.

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.

Signed on behalf of the Board by:

M B Kenny
Director

Registered Office
210 Pentonville Road
London
N1 9JY
United Kingdom

Date: 13 February 2017

Directors' report
for the year ended 31 December 2016

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2016.

Future developments

No 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 the year ended 31 December 2016 (2015: £nil). Dividend payments are reflected in the financial statements in the year in which they are declared.

Going concern basis

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

Directors

The Directors who served during the year were as follows:

M B Kenny	
A J Course	
D G Stickland	Resigned 20 July 2016
A J Wesson	Appointed 20 July 2016

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions in accordance with the Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors. The Directors have no interests in the share capital of the Company, their interests in the holding company are more fully described in note 19.

Capital and risk management

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

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

The Company's risk management is more fully described in the Strategic report.

Disclosure of information to the auditor

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

Directors' report (continued)
for the year ended 31 December 2016

Auditor

Pursuant to Section 487 of the Companies Act 2006, the Auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Signed on behalf of the Board by:

M B Kenny
Director

Registered Office
210 Pentonville Road
London
N1 9JY
United Kingdom

Date: 13 February 2017

Statement of Directors' responsibilities
for the year ended 31 December 2016

The Directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit of the Company for that year. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Company's annual financial statements were approved by the Board of Directors on 13 February 2017 and signed on their behalf by:

M B Kenny
Director

Registered Office
210 Pentonville Road
London
N1 9JY
United Kingdom

Independent Auditor's report to the Members of Eversholt Depot Finance (UK) Limited

for the year ended 31 December 2016

We have audited the financial statements of Eversholt Depot Finance (UK) Limited for the year ended 31 December 2016 which 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 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

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

Respective responsibilities of Directors and Auditors

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

As explained in note 2 to the financial statements, the company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the IASB and are effective.

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Independent Auditor's report to the Members of Eversholt Depot Finance (UK) Limited (continued)

for the year ended 31 December 2016

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Makhan Chahal (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
2 New Street Square
London
EC4A 3BZ
United Kingdom

13th **February 2017**

Income statement
for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue			
Operating lease income		**2,366**	2,366
Finance lease income		**699**	716
Total revenue		**3,065**	3,082
Cost of sales	*4*	**(963)**	(994)
Gross profit		**2,102**	2,088
Finance expense	*5*	**(949)**	(1,115)
Administrative expense	*6*	**(162)**	(167)
Profit before tax		**991**	806
Income tax (charge)/credit	*8*	**(11)**	341
Profit for the year		**980**	1,147

There were no discontinued or discontinuing operations during the year.

The notes on pages 12 to 22 form an integral part of these financial statements.

Statement of comprehensive income
for the year ended 31 December 2016

There has been no comprehensive income or expense other than the profit for the year as shown above (2015: £nil).

Statement of financial position
as at 31 December 2016

	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Property, plant and equipment	*10*	**18,284**	19,247
Finance lease receivables	*11*	**7,198**	8,241
		25,482	27,488
Current assets			
Finance lease receivables	*11*	**1,001**	896
Trade and other receivables	*12*	**46**	-
		1,047	896
Total assets		**26,529**	28,384
Liabilities and equity			
Current liabilities			
Trade and other payables	*13*	**222**	214
Current tax – amounts due to group relief		**576**	549
		798	763
Non-current liabilities			
Borrowings	*14*	**13,693**	15,998
Deferred tax	*15*	**4,369**	4,934
		18,062	20,932
Total liabilities		**18,860**	21,695
Equity			
Share capital	*16*	**5,000**	5,000
Retained earnings		**2,669**	1,689
Total equity		**7,669**	6,689
Total equity and liabilities		**26,529**	28,384

The notes on pages 12 to 22 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 13 February 2017. They were signed on its behalf by

A J Wesson
Director

Company registration number 05229765

Statement of cash flows
for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Cash flow from operating activities			
Profit before tax		**991**	806
Adjustments for:			
- Depreciation charge	*10*	**963**	994
- Finance expense	*5*	**949**	1,115
Operating cash flow before changes in working capital		**2,903**	2,915
Decrease in finance lease receivables		**938**	925
(Increase)/decrease in trade and other receivables		**(46)**	13
Increase/(decrease) in trade and other payables		**8**	(14)
Cash flow generated by operating activities		**3,803**	3,839
Payment in respect of group relief		**(549)**	(312)
Net cash flow generated by operating activities		**3,254**	3,527
Cash flow from financing activities			
Movement in working capital loan with Eversholt Rail (UK) Limited		**(2,305)**	(2,412)
Finance expense paid		**(949)**	(1,115)
Net cash utilised in financing activities		**(3,254)**	(3,527)
Net movement in cash and cash equivalents		**-**	-
Cash and cash equivalents at beginning of the year		**-**	-
Cash and cash equivalents at the end of the year		**-**	-

Statement of changes in equity
for the year ended 31 December 2016

	Note	Share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2015	*16*	5,000	542	5,542
Profit for the year		-	1,147	1,147
Balance at 31 December 2015		**5,000**	**1,689**	**6,689**
Profit for the year		-	980	980
Balance at 31 December 2016		**5,000**	**2,669**	**7,669**

Dividends per share paid during the year is £nil (2015: £nil per share).

Notes to the annual financial statements
for the year ended 31 December 2016

1 General Information

Eversholt Depot Finance (UK) Limited (the "Company") is a private company incorporated and domiciled in England and Wales and is limited by authorised shares (see note 16).

The registered office of the Company is 210 Pentonville Road, London, N1 9JY.

2 Basis of Preparation

These financial statements are presented in £'000. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.1 Compliance with International Financial Reporting Standards

The financial statements of Eversholt Depot Finance (UK) Limited have been prepared on the historical cost basis. These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU'). EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at this point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2016, there were no unendorsed standards effective for the year ended 31 December 2016 affecting these financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company. Accordingly, the financial statements of the Company for the year ended 31 December 2016 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 2016, 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 2016. The following Adopted IFRSs have been issued but have not been applied by the Company in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (mandatory for periods beginning on or after 1 January 2018).
- Amendments to IAS 7 Disclosure Initiative (mandatory for periods beginning on or after 1 January 2017).
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (mandatory for periods beginning on or after 1 January 2017).
- IFRS 16 Leases (mandatory for periods beginning on or after 1 January 2019).
- 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).
- Clarifications to IFRS 15 Revenue from Contracts with Customers (mandatory for periods beginning on or after 1 January 2018).

2.3 Going concern

The Company's forecasts and projections taking account of reasonably possible changes in trading performance show that the Company 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 year ended 31 December 2016

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 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 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.

3.1.1 Borrowing costs

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.

Other borrowing costs are recognised in profit and loss in the year 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 year, calculated using tax rates enacted or substantively enacted by the end of the reporting year and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated using the tax rates expected to apply in the year in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the end of the reporting year.

3.3 Property, plant and equipment

In the normal course of business, property, plant and equipment are recognised at cost and are depreciated using the reducing balance method over their useful economic lives to their estimated residual value. The useful economic life depends on the type of asset and ranges from 20 to 40 years. Useful lives and residual values are reviewed bi-annually and if there is an indication of impairment a loss will be recognised to reduce the carrying value of the asset to its recoverable amount.

The depreciation charge is included in the Income statement as detailed in note 4.

3 Summary of significant accounting policies (continued)

3.3 Property, plant and equipment (continued)

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

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

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. The impairment loss is recognised immediately in the Income statement.

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

3.4 Financial instruments

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

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

3.4.1 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.

3.4.2 Cash and cash equivalents

For the purpose of the Statement of cash flows, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition, and include cash.

3.4.3 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.

Notes to the annual financial statements (continued)

for the year ended 31 December 2016

3 Summary of significant accounting policies (continued)

3.4 Financial instruments (continued)

3.4.3 Impairment of financial assets (continued)

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

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

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

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

3.4.4 Financial liabilities

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

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

3.4.5 Offsetting financial assets and financial liabilities

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

3.4.6 Determination of fair value

All financial instruments are recognised initially at fair value. In the normal course of business, the fair value of a financial instrument on initial recognition is the transaction price (that is, the fair value of the consideration given or received).

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

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

3.5 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 Summary of significant accounting policies (continued)

3.6 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 year in which they are declared.

3.7 Use of assumptions and estimates

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 ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of revision and future years if the revision affects both current and future years.

The critical judgements and estimates that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements relate to depreciation.

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

3.8 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.

Income from operating leases is recognised on a straight line basis over the lease term.

4 Cost of sales

	2016 £'000	2015 £'000
Depreciation	**(963)**	(994)

5 Finance expense

	2016 £'000	2015 £'000
Interest payable to Eversholt Rail (UK) Limited	**(934)**	(1,082)
Finance charges payable to Eversholt Funding plc	**(15)**	(33)
	(949)	(1,115)

6 Administrative expense

Administrative expense includes the following:

	2016 £'000	2015 £'000
Management fees	**(150)**	(156)
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**(12)**	(9)

The Company has no employees and hence no staff costs (2015: nil).

Notes to the annual financial statements (continued)
for the year ended 31 December 2016

7 Directors' emoluments

The Directors have been paid by another group undertaking. No specific charge has been made to the Company in this regard.

8 Income tax (charge)/credit

	Note	2016 £'000	2015 £'000
Current tax			
UK corporation tax on current year profit		**(576)**	(549)
Deferred tax			
Origination and reversal of temporary differences	*15*	**370**	377
Change in tax rate	*15*	**195**	513
Total deferred tax		**565**	890
Total income tax (charge)/credit		**(11)**	341

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

	2016 £'000	2015 £'000
Taxation at corporation tax rate of 20% (2015: 20.25%)	**(198)**	(163)
Change in tax rates	**195**	513
Disallowable expenses	**(8)**	(9)
Income tax (charge)/credit	**(11)**	341

9 Dividends

For the year ended 31 December 2016 no dividends were paid (2015: £nil).

10 Property, plant and equipment

	Rail Depots £'000
Cost	
Balance at 1 January 2015	25,145
Additions	-
Balance at 31 December 2015	**25,145**
Additions	-
Balance at 31 December 2016	**25,145**
Depreciation	
Balance at 1 January 2015	4,904
Charge for the year	994
Balance at 31 December 2015	**5,898**
Charge for the year	963
Balance at 31 December 2016	**6,861**
Carrying value at 31 December 2016	**18,284**
Carrying value at 31 December 2015	19,247

The Company has granted security over its interests in the depots to secure the borrowings of the Group.

Notes to the annual financial statements (continued)
for the year ended 31 December 2016

11 Finance lease receivables

	2016 £'000	2015 £'000
Gross investment in finance leases		
Amounts falling due:		
No later than one year	**1,637**	1,637
Later than one year and no later than five years	**5,546**	5,802
Later than five years	**3,683**	5,064
Gross investment in finance leases	**10,866**	12,503
Unearned finance income	**(2,667)**	(3,366)
Net investment in finance leases less provisions	**8,199**	9,137
Amortisation of finance lease receivables:		
Amounts falling due:		
No later than one year	**1,001**	896
Later than one year and no later than five years	**3,863**	3,813
Later than five years	**3,335**	4,428
Present value of minimum lease receivables	**8,199**	9,137
Fair value of amounts receivable under finance leases	**8,199**	9,137
Aggregate finance lease rentals receivable in the year	**699**	716

The fair value of fixed rate finance lease receivables is calculated by discounting future minimum lease receivables, using equivalent current interest rates. The fair values are not considered to be significantly different from the carrying value.

The Company has entered into finance leasing arrangements for the depots. The finance leases vary between 10 and 20 years.

Finance lease receivable balances are secured over the depots and equipment leased. All assets have been pledged to secure borrowings of the Group. The Company is not permitted to pledge these assets as security for other borrowings and is restricted in the use of disposal proceeds. The assets are secured by a fixed and floating charge held by the financial institutions that have lent to Eversholt Funding plc.

The interest rates inherent in the leases are fixed at the contract date for all of the lease terms. The average effective interest rate contracted approximates between 6% and 10% (2015: 6% and 10%) per annum.

The maximum exposure to credit risk of finance lease receivables for the current and prior years is the carrying amount. The finance lease receivables are not past due and not impaired in the current and prior year.

12 Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	**46**	-

13 Trade and other payables

	2016 £'000	2015 £'000
Trade payables	**13**	-
Rentals received in advance	**138**	138
Accruals	**5**	10
Other payables	**66**	66
	222	214

Notes to the annual financial statements (continued)
for the year ended 31 December 2016

14 Borrowings

	2016 £'000	2015 £'000
Eversholt Rail (UK) Limited	**13,693**	15,998

The Company has granted security over all of its assets to enable a fellow group undertaking to obtain external financing by way of bonds and loans.

The intragroup loan with Eversholt Rail (UK) Limited is classified as non-current as it is repayable on 4 November 2018. 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.(2015: group's senior debt, plus margin)

15 Deferred tax

Leasing transactions temporary differences:	2016 £'000	2015 £'000
Balance at beginning of the year	**4,934**	5,824
Arising from temporary differences – capital allowances	**(370)**	(377)
Change in tax rates	**(195)**	(513)
Balance at end of the year	**4,369**	4,934

The corporation tax rate reduction to 19% from 1 April 2017 was substantively enacted on 18 November 2015. A further reduction to 17% from 1 April 2020 was substantively enacted on 15 September 2016. As a result of these reductions the Company's future current tax charge will reduce accordingly.

16 Share capital

	2016 £'000	2015 £'000
Authorised, allotted, called up and fully paid		
5,000,100 Ordinary shares of £1 each	**5,000**	5,000

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

17 Risk management

Exposure to residual value risk, 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.

Residual value risk

A significant part of the Company's return from operating leases is dependent upon its management of residual value risk. This risk arises from operating and finance lease transactions to the extent that the values recovered from re-letting assets at the end of the lease terms (the "residual values") differ from those projected at the inception of the leases. The Company regularly monitors residual value exposure by reviewing the recoverability of the residual value projected at lease inception. This entails considering the potential to re-let at the end of their current lease terms. Provision is made to the extent that the carrying values of leased assets are impaired through residual values not being fully recoverable.

Capital risk management

The Board actively monitors the capital structure of the Company to ensure the Company is able to continue as a going concern. Consideration is given to the cost and risks associated with each class of capital and to maximising the return to stakeholders through the optimisation of the debt to equity ratio.

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

Notes to the annual financial statements (continued)
for the year ended 31 December 2016

17 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 lease receivables.

The Company manages credit risk by way of established risk management processes encompassing credit approvals and the monitoring and reporting of exposures. Regular reviews are undertaken to assess and evaluate the financial stability of counterparties. No lease receivables are in arrears.

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 monthly basis and will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. In light of this, the Company will borrow funds as and when required from parent undertakings.

The Company's assets, net of deferred tax, are funded principally by borrowings from a fellow group undertaking and third parties and by equity capital.

Undiscounted cash flows receivable from financial assets and payable to meet financial liabilities are analysed below by their contractual due date:

31 December 2016	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
Financial assets						
Loans and receivables						
- Finance lease receivables	**8,199**	**10,866**	**-**	**1,637**	**5,546**	**3,683**
Financial liabilities						
Non-derivative instruments – amortised cost						
- Trade and other payables	**222**	**222**	**-**	**222**	**-**	**-**
- Borrowings	**13,693**	**13,693**	**-**	**-**	**13,693**	**-**
	13,915	**13,915**	**-**	**222**	**13,693**	**-**
Total financial instruments	**(5,716)**	**(3,049)**	**-**	**1,415**	**(8,147)**	**3,683**
31 December 2015						
Financial assets						
Loans and receivables						
- Finance lease receivables	9,137	12,503	-	1,637	5,802	5,064
Financial liabilities						
Non-derivative instruments – amortised cost						
- Trade and other payables	214	214	-	214	-	-
- Borrowings	15,998	15,998	-	-	15,998	-
	16,212	16,212	-	214	15,998	-
Total financial instruments	(7,075)	(3,709)	-	1,423	(10,196)	5,064

There are no material differences between the carrying value and the fair value of other financial assets and liabilities as at 31 December 2016 (2015: nil).

Undiscounted cash flows in respect of the intercompany loan with Eversholt Rail (UK) 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.

The expected cash flows are not anticipated to be materially different to the contractual cash flows.

Notes to the annual financial statements (continued)
for the year ended 31 December 2016

17 Risk management (continued)

Market risk management

The Company has exposure to fluctuations in interest rates. This exposure is managed at a group level through the use of interest rate swaps. The cost or benefit derived from the use of swaps is taken into account in determining the interest on the loan accounts.

Interest rate sensitivity analysis

The impact of a 50 basis points increase in LIBOR would have resulted in a decrease in intercompany working capital interest expense of £9,835. The sensitivity analysis is applied to the borrowing rate and performed on the monthly balance of the relevant financial instrument.

18 Operating lease arrangement

The Company has contracts with lessees in relation to depots. At the reporting date, the outstanding commitments for future minimum lease payments under operating leases are as follows:

	2016 £'000	2015 £'000
No later than one year	**2,622**	2,622
Later than one year and no later than five years	**1,638**	3,897
Later than five years	**996**	1,359
	5,256	7,878
Aggregate operating lease rentals receivable in the year	**2,366**	2,366

19 Related-party transactions

19.1 Identity of related parties

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

- European Rail Finance Holdings Limited
- European Rail Finance Limited
- Eversholt Investment Limited
- Eversholt Rail Holdings (UK) Limited
- Eversholt Finance Holdings Limited
- Eversholt Funding plc
- Eversholt Rail (UK) Limited
- Eversholt Rail (380) Limited
- Eversholt Rail (365) Limited
- European Rail Finance (GB) Limited
- European Rail Finance (2) Limited

The ultimate parent undertaking (which is the ultimate controlling party) is CK Hutchison Holdings Limited, incorporated in Hong Kong. It was previously Eversholt Investment Group (Luxembourg) sarl. 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 Eversholt Rail Holdings (UK) Limited. The results of the Company are included in the Group financial statements of CK Hutchison Holdings Limited.

Copies of the Group financial statements may be obtained from the following address:
PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Notes to the annual financial statements (continued)
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19 Related-party transactions (continued)

19.2 Transactions with related parties

The Company has loans with related parties, more fully described in note 14. Interest on these loans are more fully described in note 5.

The Company paid management fees of £140,740 to Eversholt Rail (UK) Limited (2015: £145,895) and £10,000 to Eversholt Investment Limited (2015: £10,000).

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

	MB Kenny
Preferred Equity Certificates	
Certificates held at 31 December 2014	**321,568**
Certificates redeemed	(321,568)
Certificates held at 31 December 2015 and 2016	**-**
Ordinary shares held	
Shares held at 31 December 2014	**901**
Shares redeemed	(901)
Shares held at 31 December 2015 and 2016	**-**

20 Contingent liabilities

There were no contingent liabilities for the Company at 31 December 2016 (2015: nil).

21 Subsequent events

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