European Rail Finance Limited

Annual report and financial statements
for the financial year ended 31 December 2018

Registered No: IR443563

Annual report and financial statements
for the financial year ended 31 December 2018

Contents

Directors' report
for the financial year ended 31 December 2018

The Directors present their Annual report together with the audited financial statements for the financial year ended 31 December 2018.

Principal activities

European Rail Finance Limited's (the "Company") principal activity is the leasing of rolling stock assets to another group undertaking, Eversholt Rail Leasing Limited. This finance lease arrangement, which was prepaid in 2016, was established for the expected remaining useful economic lives of the rolling stock.

The Company forms part of the Eversholt UK Rails Group ("Group") more fully described in note 15.

Business review

In the financial year the Company generated a profit of £2,303,000 (2017: £12,770,000). As at 31 December 2018 the Company had net assets of £57,433,000 (2017: £545,130,000).

The Company is funded primarily by equity from its immediate parent.

The business lends its surplus cash to Eversholt Rail Limited. The Company has no employees. Directors have been remunerated by another group undertaking, Eversholt Rail Limited.

Risk management

The Company is subject to the risk management objectives and policies of the Group. The risks relevant to the Company together with an analysis of the exposure to such risks are set out in note 14 of the financial statements.

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.

Business environment

The Directors monitor the business environment in which the Company operates from a group perspective and details of relevant matters, including Brexit and climate change, are disclosed in the financial statements of Eversholt UK Rails Limited.

Political donations

No political donations were made during the financial year (2017: £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 2018

Future developments

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

Dividends

On 11 December 2018, the Directors declared and paid a dividend of £490,000,000 (2017: £nil).

Going concern basis

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

Disclosure of information to the auditor

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

Accounting records

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

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

Auditor

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

Approved by the Board and signed on its behalf by:

M B Kenny
Director

A J Wesson
Director

Newmount House
22-24 Mount Street Lower
Dublin 2
Ireland

15 February 2019

Statement of Directors' responsibilities
for the financial year ended 31 December 2018

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 ("IFRSs") 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 a 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 15 February 2019 and were signed on its behalf by:

M B Kenny
Director

A J Wesson
Director

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

Independent Auditor's report to the Members of European Rail Finance Limited
for the financial year ended 31 December 2018

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

In our opinion the financial statements:
- give a true and fair view of the assets, liabilities and financial position of the Company as at financial year 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 17, 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 IFRSs as adopted by the European Union ("the relevant financial reporting framework").

Basis for opinion

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

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, including the Ethical Standard issued by the Irish Accounting and Auditing Supervisory Authority, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you were:

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

Other information

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

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 Limited (continued)

for the financial year ended 31 December 2018

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 Company (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 Limited (continued)

for the financial year ended 31 December 2018

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.

Matters on which we are required to report by exception

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.

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

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

Statutory Auditor
London
United Kingdom

15th February 2019

Income statement
for the financial year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Finance income	5	2,852	737
Administrative (expense)/income	6	(9)	2
Profit before tax		2,843	739
Income tax (charge)/credit	7	(540)	12,031
Profit for the financial year		2,303	12,770

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

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

Statement of comprehensive income
for the financial year ended 31 December 2018

There has been no comprehensive income or expense other than the profit for the financial year as shown above (2017: £nil).

The financial statements were approved by the Board of Directors and authorised for issue on 15 February 2019. They were signed on its behalf by:

M B Kenny
Director

A J Wesson
Director

Company registration number: IR443563

Statement of financial position
as at 31 December 2018

	Note	2018 £'000	2017 £'000
Assets			
Non-current assets			
Loan receivable	*9*	**69,620**	559,064
		69,620	559,064
Total assets		**69,620**	559,064
Liabilities and equity			
Current liabilities			
Trade and other payables	*11*	**5**	113
Current tax		**12,182**	13,821
		12,187	13,934
Total liabilities		**12,187**	13,934
Equity			
Share capital	*12*	**50,000**	50,000
Retained earnings		**7,433**	495,130
Total equity		**57,433**	545,130
Total equity and liabilities		**69,620**	559,064

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

The financial statements were approved by the Board of Directors and authorised for issue on 15 February 2019. They were signed on its behalf by:

M B Kenny
Director

A J Wesson
Director

Company registration number: IR443563

Statement of cash flows
for the financial year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Cash flow from operating activities			
Profit before tax		**2,843**	739
Adjustments for:			
- Finance income	*5*	**(2,852)**	(737)
Operating cash flow before changes in working capital		**(9)**	2
Decrease in trade and other payables	*11*	**(108)**	(452)
Payment in respect of group relief		**(2,179)**	-
Net cash utilised in operating activities		**(2,296)**	(450)
Cash flow from financing activities			
Movement in intercompany loan with Eversholt Rail Limited	*10*	**492,296**	450
Dividend paid		**(490,000)**	-
Net cash generated by financing activities		**2,296**	450
Net movement in cash and cash equivalents		**-**	-
Cash and cash equivalents at beginning of the financial year		**-**	-
Cash and cash equivalents at end of the financial year		**-**	-

Statement of changes in equity
for the financial year ended 31 December 2018

	Note	Share capital £'000	Retained earnings £'000	Total shareholder's equity £'000
Balance at 1 January 2017	*12*	50,000	482,360	532,360
Total comprehensive income		-	12,770	12,770
Balance at 31 December 2017		**50,000**	**495,130**	**545,130**
Total comprehensive income		-	2,303	2,303
Dividends paid	*8*	-	(490,000)	(490,000)
Balance at 31 December 2018		**50,000**	**7,433**	**57,433**

During the financial year, the Company paid a dividend of £9.80 per share (2017: £nil per share).

Notes to the annual financial statements
for the financial year ended 31 December 2018

1 General Information

European Rail Finance Limited, is a private company incorporated in the Republic of Ireland under the Companies Act and is limited by authorised shares (see note 12). The registered office of the Company is Newmount House, 22-24 Mount Street Lower, Dublin 2, Ireland.

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

2 Basis of Preparation

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

2.1 Compliance with IFRSs

The financial statements of the Company have been prepared on the historical cost basis. These financial statements have been prepared in accordance with 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 2018, there were no unendorsed standards effective for the financial year ended 31 December 2018 affecting these Company financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company. Accordingly, the financial statements of the Company for the financial year ended 31 December 2018 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 no material effect on the financial statements (note 4).

At 31 December 2018, 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 2018. The following adopted IFRSs have been issued but have not been applied by the Company in these financial statements. They are applicable for periods beginning on or after 1 January 2019 and are not anticipated to have a material impact on the financial statements.

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 – Prepayment features with negative compensation

2.3 Going concern

The Company's forecasts and projections taking account of reasonably possible changes in trading performance show that the Company, having the commitment of support from the Group, 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 2018

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, except where noted in relation to standards implemented for the first time in 2018.

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 financial years.

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.

3.2 Income tax

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

Current tax is the tax expected to be payable on the taxable profit for the financial year, calculated using tax rates enacted or substantively enacted by the end of the financial year and any adjustment to tax payable in respect of previous financial 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 financial year. Any resulting exchange differences are included in the Income statement.

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

3.4 Financial instruments

This policy reflects the introduction of IFRS 9 financial instruments in 2018 (see note 4).

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.

Classification and measurement

Financial assets are classified and measured by reference to the business model in which assets are managed and their cash flow characteristics.

The Company holds the following classes of financial instruments:

Notes to the annual financial statements (continued)

for the financial year ended 31 December 2018

3 Summary of significant accounting policies (continued)

3.4 Financial instruments (continued)

Classification and measurement (continued)

Loan receivable

A loan receivable is held in order to collect the related contractual cash flows and contains contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest. It is initially recorded at fair value plus any directly attributable transaction costs and is subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

It is derecognised when either the borrower repays its obligations, or the loan is sold or written off, or substantially all the risks and rewards of ownership are transferred.

Financial liabilities

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

Impairment of financial assets

Where required, 12 month expected credit loss ("ECL") allowance is carried for financial assets carried at amortised cost where the credit risk has not increased significantly since the initial recognition. Where credit risk has increased significantly, lifetime ECL allowance will be carried.

Financial assets for which there is objective evidence of impairment, are considered to be in default or otherwise credit-impaired for disclosure purposes.

Financial assets (and the related impairment allowances) are written off, either partially or in full, when there is no realistic prospect of recovery. The amounts written off reflect the proceeds from realisation of any collateral underpinning the asset.

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.

Where relevant, 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 financial year in which they are declared.

3.7 Use of judgements, estimates and assumptions

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

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.

3.8 Finance leases

A lease is an arrangement whereby the lessor conveys to the lessee the right to use an asset for an agreed period in return for a payment or series of payments.

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.

4 Implementation of new IFRS Standards

IFRS 9 – Financial Instruments

IFRS 9 "Financial Instruments" is effective for accounting periods beginning on or after 1 January 2018 and supersedes IAS 39 "Financial Instruments: recognition and measurement". The adoption of IFRS 9 has not had an impact on the carrying value of financial assets or financial liabilities reported as at 31 December 2017.

The Company has no hedge accounting relationships in place and therefore the hedge accounting requirements of IFRS 9 are not applicable.

The principal effects resulting from the application of IFRS 9 on the Company's assets or liabilities are summarised below:

Classification and measurement
IFRS 9 introduces a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics, and new requirements on the accounting for financial liabilities that are designated at fair value through profit or loss. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

In practice the adoption of IFRS 9 has not had an impact on the Company's accounting policies related to financial liabilities or financial assets. The Company's financial assets and liabilities in the scope of IFRS 9, continue to be measured at amortised cost.

The only financial asset in the scope of IFRS 9 is the Company's 'loan receivable'.

Notes to the annual financial statements (continued)
for the financial year ended 31 December 2018

4 Implementation of new IFRS Standards (continued)

IFRS 9 – Financial Instruments (continued)

Impairment
IFRS 9 "Financial Instruments" Impairment of financial assets - IFRS 9 replaces the "incurred loss" impairment model in IAS 39 with a forward-looking ECL model. In principle, credit losses will therefore be recognised earlier than under IAS 39 and may be subject to more frequent revision. The ECL model applies only to the Company's loan receivable.

Disclosure
Additionally, the Company has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures. The new disclosure requirements have been applied to the current financial year information but have not been generally applied to comparative information as permitted by the standard.

5 Finance income

	2018 £'000	**2017 £'000**
Interest receivable from Eversholt Rail Limited	**2,852**	737

Finance income represents income on financial assets carried at amortised cost

6 Administrative expense

Administrative expense includes the following:

	2018 £'000	**2017 £'000**
Management fee refund from Eversholt Investment Limited	-	10
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**(6)**	(5)

The Company has no employees and hence no staff costs (2017: £nil). The Directors have been paid by another group undertaking, Eversholt Rail Limited. No specific charge has been made to the Company in this regard, therefore, the Directors' remuneration is £nil (2017: £nil) and all disclosures relating to sections 305 and 306 of Companies Act 2014 are £nil (2017: £nil).

7 Income tax (charge)/credit

	2018 £'000	**2017 £'000**
Current tax		
UK corporation tax on current financial year profit	**(540)**	(142)
Prior financial year adjustment	-	12,173
Income tax (charge)/credit	**(540)**	12,031

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.

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

Notes to the annual financial statements (continued)
for the financial year ended 31 December 2018

7 Income tax (charge)/credit (continued)

	2018 £'000	2017 £'000
Profit before tax	2,843	739
Taxation at UK corporation tax rate of 19% (2017: 19.25%)	(540)	(142)
Prior financial year adjustment	-	12,173
Income tax charge/(credit)	(540)	12,031

8 Dividends

During the financial year, the Company paid a dividend of £490,000,000 to European Rail Finance (2) Limited (2017: £nil).

9 Loan receivable

Non-current	2018 £'000	2017 £'000
Eversholt Rail Limited	69,620	559,064

The intercompany loan to Eversholt Rail Limited is classified as non-current as it is repayable on 4 November 2023. Borrowing entities may prepay and withdraw loans until the repayment date. Interest on the loan is receivable monthly at LIBOR, less margin (2017: LIBOR, less margin).

10 Reconciliation of assets arising from financing activities

	As at 31 December 2017	Non-cash finance income	Cash flow receipts	As at 31 December 2018
Financing activities attributable to:	£'000	£'000	£'000	£'000
Assets				
Loan receivable	559,064	2,852	(492,296)	69,620

11 Trade and other payables

	2018 £'000	2017 £'000
Accruals	5	113

12 Share capital

	2018 £'000	2017 £'000
Authorised		
100,000,000 Ordinary shares of £1 each	100,000	100,000
Issued, allotted, called up and fully paid		
50,000,001 Ordinary shares of £1 each	50,000	50,000

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

Notes to the annual financial statements (continued)
for the financial year ended 31 December 2018

13 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 2018 and 31 December 2017.

14 Risk management

The Company has exposure to the following types of risk arising from its use of financial instruments: capital risk, credit risk, liquidity risk and market risk. Market risk includes foreign exchange risk and interest rate risk.

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 3.7.

The management of all risks which are significant, together with the quantitative disclosures not already included elsewhere in the financial statements, is described in this note.

Capital risk management

The Board actively monitors the capital structure of the Company to ensure that it is able to continue as a going concern and can generate attractive and predictable returns for shareholders and benefits for other stakeholders. Consideration is given to the availability, cost and risks associated with each class of capital.

The Capital structure of the Company consists principally of equity from its immediate parent.

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

Credit risk management

Credit risk is the risk of financial loss if a counterparty fails to meet its obligations under a contract. The Company's principal credit exposure arises from the ability of its counterparties to service their obligations under the lending arrangements.

The Company monitors the exposure to Eversholt Rail Limited on a regular basis. This includes considering the borrower's ability to service its obligations to the Company and other creditors, having regards to past, current and future circumstances.

The loan is performing in accordance with the terms of the arrangement i.e. all payments to date as well as those expected in the future, have been made/are expected to be made in accordance with the underlying contractual terms. No part of the financial asset is credit impaired, overdue, or in default. For these purposes, the Company defines "default" as where the obligor has failed to meet its obligations under the contract and "credit impaired" where there is objective evidence as to a credit event for the obligor.

The carrying value of the loan receivable represents the Company's maximum credit exposure to the borrower.

In light of the above, the Company has determined that no ECL allowance is required in relation to its loan receivable. This reflects the Company's assessment of the borrower's risk and exposure, together with nature of recourse to which the lender and borrower would have access in the event of a potential issue.

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. Cash is managed on a consolidated basis across the Group which enables the Company to borrow funds from another group undertaking to meet any shortfall. Conversely, the Company lends any surplus funds to other group undertakings. Liquidity is further under-pinned by the ability of certain group undertakings to borrow under a £600m revolving credit facility which matures on 4 November 2023 and lend proceeds to the Company.

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

Notes to the annual financial statements (continued)
for the financial year ended 31 December 2018

14 Risk management (continued)

Liquidity risk management (continued)

	Carrying value £'000	Contractual cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
31 December 2018						
Financial assets						
Loans and receivables: Intercompany loan receivable	69,620	69,620	-	-	69,620	-
Financial liabilities						
Trade and other payables	5	5	-	5	-	-
Total financial	69,615	69,615	-	(5)	69,620	-

	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
31 December 2017						
Financial assets						
Loans and receivables: Intercompany loan	559,064	559,064	-	-	559,064	-
Financial liabilities						
Trade and other payables	113	113	-	113	-	-
Total financial	558,951	558,951	-	(113)	559,064	-

Undiscounted cash flows in respect of the intercompany loan with Eversholt Rail Limited include the principal amount of intercompany loans only, due to the uncertainty of intercompany movements and of interest estimation. Interest on intercompany loans is settled as part of intercompany cash movements.

Market risk management

The Company has limited exposure to foreign exchange risk on its financial assets and financial liabilities. The only exposure is in the Company's Euro denominated bank balance. Minimal balances are retained in this account and as at 31 December 2018 the balance in this account was £nil.

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

Interest rate sensitivity analysis

A 5 basis points increase in LIBID would have resulted in an increase in intercompany interest receipt of £258,241. The sensitivity analysis is applied to the deposit rate and performed on the monthly balance of the relevant financial instrument.

Notes to the annual financial statements (continued)
for the financial year ended 31 December 2018

15 Related-party transactions

15.1 Identity of related parties

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

- Eversholt UK Rails Limited
- Eversholt UK Rails (Holding) Limited
- European Rail Finance Holdings Limited
- Eversholt Investment Limited
- Eversholt Rail Leasing Limited
- Eversholt Finance Holdings Limited
- Eversholt Rail Holdings (UK) Limited
- Eversholt Funding plc
- Eversholt Rail Limited
- Eversholt Depot Finance Limited
- 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 the Cayman Islands. The parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member is CK Hutchison Holdings Limited. The immediate holding company is European Rail Finance (2) Limited. The results of the Company are included in the Group financial statements of CK Hutchison Holdings Limited.

Copies of the Group financial statements may be obtained from the following address:

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

15.2 Transactions with related parties

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

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

In 2017 a management fee refund of £10,000 has been received from Eversholt Investment Limited.

16 Contingent liabilities

There were no contingent liabilities for the Company at 31 December 2018 (2017: £nil).

17 Subsequent events

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