

Eversholt Investment Limited

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

Registered No: IR490363

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

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Directors' Report

for the financial year ended 31 December 2017

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

Principal activities

The Company continues to hold all of the ordinary share capital of European Rail Finance Holdings Limited. The Company forms part of the Eversholt UK Rails Group ("Group") more fully described in note 19.

During the financial year the Group underwent a reorganisation which included the transfer on 28 June 2017 of the ownership of the Company from Eversholt Investment Group (Luxembourg) Sarl to Eversholt UK Rails (Holding) Limited.

On 27 October 2017 the Company made a capital contribution of £25,000,000 to its direct subsidiary European Rail Finance Holdings Limited to facilitate the redemption of its profit participating preference shares. On the same day the Company issued £2,500,000 of profit participating preference shares ("PPS") which carry a right to quarterly dividends.

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

Business review

In the financial year the Company generated a profit of £47,561,000 (2016: loss of £17,111,000). As at 31 December 2017 the company had net assets of £18,865,000 (2016: £15,304,000).

The Company is funded by equity and borrowings from group undertakings and immediate parent.

The Company has no employees following the transfer of its activity of providing management services and associated assets to Eversholt Rail Limited (formerly trading as Eversholt Rail (UK) Limited) on 1st February 2017.

Risk management

The Company is subject to the risk management objectives and policies of the Group. The objectives relevant to the Company, together with an analysis of the exposure to such risks, are set out in note 18 of the financial statements.

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

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

Financial performance

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

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

Political donations

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

Directors

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

Name

M B Kenny
A J Course
A J Wesson
I Bowden

Resigned 16 November 2017

Directors' report (continued)

for the financial year ended 31 December 2017

Directors (continued)

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

Future developments

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

Dividends

On 12 December 2017 the Directors declared a dividend of £44,000,000 (2016: £14,772,150).

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 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 Eversholt Investment 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

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

29 March 2018

Statement of Directors' responsibilities

for the financial year ended 31 December 2017

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

Irish company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("relevant financial reporting framework"). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company as at the financial year end date and of the profit or loss of the Company for the financial year and otherwise comply with the Companies Act 2014.

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

- select suitable accounting policies for the Company Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for ensuring that the Company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the Company, enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy, enable them to ensure that the financial statements and Directors' report comply with the Companies Act 2014 and enable the financial statements to be audited.

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

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

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



M B Kenny
Director



A J Wesson
Director

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

Independent Auditor's report to the Members of Eversholt Investment Limited

for the financial year ended 31 December 2017

Opinion on the financial statements of Eversholt Investment 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 end and of the profit 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 21, including a summary of significant accounting policies as set out in note 3.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the 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 Eversholt Investment Limited
(continued)**

for the financial year ended 31 December 2017

Responsibilities of directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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.

**Independent Auditor's report to the Members of Eversholt Investment Limited
(continued)**

for the financial year ended 31 December 2017

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Companies Act 2014

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

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

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

Matters on which we are required to report by exception

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



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

29th March 2018

Income statement

for the financial year ended 31 December 2017

		2017 £'000	2016 £'000
	Note		
Dividend income	4	99,000	35,000
Service income		89	910
Finance income	5	557	603
Finance expense	6	(52,793)	(52,130)
Administrative expense	7	(188)	(1,457)
Profit/(loss) before tax		46,665	(17,074)
Income tax credit/(charge)	10	896	(37)
Profit/(loss) for the financial year		47,561	(17,111)

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

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

Statement of comprehensive income

for the financial year ended 31 December 2017

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

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



M B Kenny
Director



A J Wesson
Director

Company registration number IR490363

Statement of financial position

as at 31 December 2017

		2017 £'000	2016 £'000
Assets	Note		
Non-current assets			
Property, plant and equipment	11	-	70
Investments in subsidiaries	13	418,238	393,238
		<u>418,238</u>	<u>393,308</u>
Current assets			
Trade and other receivables	12	43	60
Current tax asset		896	-
Cash and cash equivalents	14	4	26,658
		<u>943</u>	<u>26,718</u>
Total assets		<u>419,181</u>	<u>420,026</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	15	33	674
Borrowings	16	340,562	-
Current tax liabilities		-	1
		<u>340,595</u>	<u>675</u>
Non-current liabilities			
Borrowings	16	59,721	404,047
Total liabilities		<u>400,316</u>	<u>404,722</u>
Equity			
Share capital	17	12	12
Share premium		13,660	13,660
Retained earnings		5,193	1,632
Total equity		<u>18,865</u>	<u>15,304</u>
Total equity and liabilities		<u>419,181</u>	<u>420,026</u>

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

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



M B Kenny
Director



A J Wesson
Director

Company registration number IR490363

Statement of cash flows

for the financial year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Cash flow from operating activities			
Profit/(loss) before tax		46,665	(17,074)
Adjustments for:			
- Depreciation		3	32
- Finance income	5	(557)	(603)
- Finance expense	6	52,793	52,130
- Dividend income	4	(99,000)	(35,000)
Operating cash flow before movements in working capital		(96)	(515)
Decrease in trade and other receivables		17	11
(Decrease)/increase in trade and other payables		(674)	474
Cash utilised in operating activities		(753)	(30)
Taxation paid		(1)	(38)
Net cash utilised in operating activities		(754)	(68)
Cash flow from investing activities			
Transfer of assets to another group undertaking	11	67	-
Capital contribution to subsidiary		(25,000)	-
Dividend received		99,000	35,000
Net cash generated by investing activities		74,067	35,000
Cash flow from financing activities			
Movement in working capital loan with Eversholt Rail Limited		(6,264)	55,351
Interest paid to parent undertaking		(48,023)	(50,085)
Repaid loan to Eversholt Investment Group (Luxembourg) Sarl		(340,562)	-
Loan received from parent undertaking		340,562	-
Intercompany interest paid on working capital loan		(4,626)	(2,045)
Preference shares issued		2,500	-
Finance income received		557	603
Finance expense paid		(111)	-
Shareholder loans repaid		-	(24,142)
Shareholder dividends paid		(44,000)	(14,772)
Net cash utilised in financing activities		(99,967)	(35,090)
Net movement in cash and cash equivalents		(26,654)	(158)
Cash and cash equivalents at the beginning of the financial year		26,658	26,816
Cash and cash equivalents at end of the financial year	14	4	26,658

Statement of changes in equity

for the financial year ended 31 December 2017

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2016	17	12	13,660	33,515	47,187
Total comprehensive expense		-	-	(17,111)	(17,111)
Dividends paid	4	-	-	(14,772)	(14,772)
Balance at 31 December 2016		12	13,660	1,632	15,304
Total comprehensive income		-	-	47,561	47,561
Dividends paid	4	-	-	(44,000)	(44,000)
Balance at 31 December 2017		12	13,660	5,193	18,865

During the financial year the Company paid a dividend of £3,667 per share (2016: £1,231 per share).

Notes to the financial statements

for the financial year ended 31 December 2017

1 General Information

Eversholt Investment Limited (the "Company") is a private company incorporated in the Republic of Ireland under the Companies Act and is limited by shares (see note 17). The registered office of the Company is Newmount House, 22-24 Mount Street Lower, Dublin 2, Ireland.

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

2 Basis of Preparation

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

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

2.1 Compliance with International Financial Reporting Standards

The financial statements of the Company have been prepared on the historical cost basis. These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU'). EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at this point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2017, there were no unendorsed standards effective for the financial year ended 31 December 2017 affecting these financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company. Accordingly, the financial statements of Eversholt Investment Limited for the financial year ended 31 December 2017 are prepared in accordance with IFRSs as issued by the IASB and endorsed by the EU.

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

2.2 Standards and Interpretations issued by the IASB

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

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

2.3 Going concern

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

Notes to the financial statements (continued)

for the financial year ended 31 December 2017

3 Summary of significant accounting policies

The principal accounting policies adopted are set out below and have been applied consistently to all financial 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 financial year.

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

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

3.2 Fees and commission income

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

3.3 Income tax

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

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

3.4 Foreign currencies

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

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

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

3.5 Property, plant and equipment

Equipment, fixtures and fittings are stated at cost being the fair value at acquisition date less any impairment losses and depreciation calculated on a straight-line basis to write-down the assets over 5 years.

The depreciation charge is included in the Income statement.

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.

Notes to the financial statements (continued)

for the financial year ended 31 December 2017

3 Summary of significant accounting policies (continued)

3.6 Subsidiaries

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

3.7 Financial instruments

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

3.7.1 Financial assets

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

The Company holds the following classes of financial assets.

3.7.1.1 Loans and receivables

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

3.7.1.2 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.

3.7.2 Financial liabilities

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

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

3.7.3 Impairment of financial assets

Financial assets, other than those at FVTPL are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. If there is an indication that impairment exists, the recoverable amount of the asset is estimated to determine the extent of the impairment.

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

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

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

Notes to the financial statements (continued)

for the financial year ended 31 December 2017

3 Summary of significant accounting policies (continued)

3.7 Financial instruments (continued)

3.7.4 Offsetting financial assets and financial liabilities

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

3.7.5 Determination of fair value

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

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

3.8 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.

3.9 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.

3.10 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.

3.11 Preference shares

Preference shares issued are classified as a non-current liability as the holders of these shares have a fixed and variable entitlement to a dividend. The dividend payable is recorded within finance expense. Dividend receivable on preference shares is recorded within finance income.

Notes to the financial statements (continued)

for the financial year ended 31 December 2017

4 Dividends

On the 12 December 2017 the Company received a dividend of £99,000,000 (2016:£35,000,000) and paid a dividend of £44,000,000 (2016: £14,722,150).

5 Finance income

	2017 £'000	2016 £'000
Fixed rate preference dividend	495	495
Bank interest	62	108
	<u>557</u>	<u>603</u>

6 Finance expense

	2017 £'000	2016 £'000
Interest payable to Eversholt Investment Group (Luxembourg) sarl	(22,437)	(50,085)
Interest payable to Eversholt UK Rails (Holding) Limited	(25,586)	-
Interest payable to Eversholt Rail Limited	(4,626)	(2,045)
Financing fees	(111)	-
Dividend on profit participating preference shares	(33)	-
	<u>(52,793)</u>	<u>(52,130)</u>

7 Administrative expense

Administrative expense includes the following:

	2017 £'000	2016 £'000
Foreign exchange (loss)/gain	(3)	33
Depreciation	(3)	(32)
Fees payable to the Company's auditor for the audit of the Company's annual accounts	(2)	(30)

8 Staff numbers and costs

The Company has no employees following the transfer of its activity of providing management services to Eversholt Rail Limited on 1st February 2017.

	2017 Number	2016 Number
Directors	-	3
Operations	-	2
Administration	-	3
	<u>-</u>	<u>8</u>

The aggregate payroll costs of these persons were as follows:

	2017 £'000	2016 £'000
Wages and salaries (excluding Directors' emoluments)	(30)	(356)
Social security costs	(3)	(41)
Contributions to defined contribution pension scheme	(3)	(39)
	<u>(36)</u>	<u>(436)</u>

Notes to the financial statements (continued)

for the financial year ended 31 December 2017

9 Directors' emoluments

	2017 £'000	2016 £'000
For services to the Company	(14)	(217)
Reimbursement of expenses	-	(1)
	<u>(14)</u>	<u>(218)</u>

The emoluments of the highest paid director, including benefits in kind were £11,000 (2016: £73,200). None of the Directors have any share options or interest in the share capital of the Company.

10 Income tax credit/(charge)

	2017 £'000	2016 £'000
Current tax		
On current financial year loss/(gain)	896	(43)
On prior year loss	-	6
Income tax credit/(charge)	<u>896</u>	<u>(37)</u>

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

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

	2017 £'000	2016 £'000
Profit/(loss) before tax	46,665	(17,074)
Taxation at corporation tax rate 19.25% (2016: 20%)	(8,983)	3,415
Prior financial year adjustment	-	6
Permanent tax differences	9,879	(3,458)
Income tax credit/(charge)	<u>896</u>	<u>(37)</u>

11 Property, plant and equipment

	Fixtures and fittings £'000
Cost	
Balance at 1 January 2016	173
Additions	-
Balance at 31 December 2016	<u>173</u>
Additions	-
Disposal to Eversholt Rail Limited	(173)
Balance at 31 December 2017	<u>-</u>
Depreciation	
Balance at 1 January 2016	71
Charge for the financial year	32
Balance at 31 December 2016	<u>103</u>
Charge for the financial year	3
Disposal to Eversholt Rail Limited	(106)
Balance at 31 December 2017	<u>-</u>
Carrying value at 31 December 2017	<u>-</u>
Carrying value at 31 December 2016	<u>70</u>

Notes to the financial statements (continued)

for the financial year ended 31 December 2017

12 Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	1	12
Dividends receivable	42	42
Prepayments	-	6
	<u>43</u>	<u>60</u>

13 Investments in subsidiaries

	2017 £'000	2016 £'000
Cost at 1 January and 31 December	<u>418,238</u>	<u>393,238</u>

As detailed in the Directors' report, during 2017 the Company made a capital contribution of £25,000,000 to its subsidiary European Rail Finance Holdings Limited.

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

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

* Indirect subsidiaries

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

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

Notes to the financial statements (continued)

for the financial year ended 31 December 2017

14 Cash and cash equivalents

Cash and cash equivalents are analysed as:

	2017 £'000	2016 £'000
Bank accounts	4	26,658

Within cash and cash equivalents there is a deposit of £nil (2016: £26,417,500) which provided security for the Profit Participating Shares issued by its direct subsidiary. These Profit Participating Shares were redeemed during 2017.

15 Trade and other payables

	2017 £'000	2016 £'000
Accrued interest on profit participating preference shares	33	-
Accruals	-	674
	<u>33</u>	<u>674</u>

16 Borrowings

Current

	2017 £'000	2016 £'000
Eversholt UK Rails (Holding) Limited	<u>340,562</u>	<u>-</u>

Non-current

	2017 £'000	2016 £'000
Eversholt Rail Limited	57,221	63,485
Profit participating preference shares	2,500	-
Eversholt Investment Group (Luxembourg) Sarl	-	340,562
	<u>59,721</u>	<u>404,047</u>

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

During the financial year the Group underwent a reorganisation which included the transfer of loans then outstanding between the Company (as borrower) and Eversholt Investment Group (Luxembourg) Sarl (as lender). These loans now exist between the Company (as borrower) and the Company's immediate parent, Eversholt UK Rails (Holding) Limited. They have no fixed repayment terms and are therefore technically repayable on demand albeit when Eversholt Investment Group (Luxembourg) Sarl was the lender the loan was subordinated under the external financing arrangements.

On 27 October 2017 the Company issued £2,500,000 of profit participating preference shares ("PPS") which carry a right to quarterly dividends. The PPS dividend has two elements: a right to a GBP LIBOR based return and a right to 0.1% of post-tax profits arising in the issuing company during the reference period.

Notes to the financial statements (continued)

for the financial year ended 31 December 2017

17 Share capital

	2017 £'000	2016 £'000
Authorised		
100,000 Ordinary shares of £1 each (2016: 100,000)	<u>100</u>	<u>100</u>
Issued, allotted, called up and fully paid		
12,000 Ordinary shares of £1 each	<u>12</u>	<u>12</u>

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

18 Risk management

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

Sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 3.10.

Capital risk management

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

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

Market risk management

Interest rate 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 intercompany loan accounts.

Interest rate sensitivity analysis

The impact of a 50 basis points increase in GBP LIBOR would have resulted in an increase in intercompany working capital interest expense of £119,586 and an increase in cash deposit interest received of £113,002. The sensitivity analysis is applied to the borrowing or lending rate and performed on the monthly balance of the relevant financial instrument.

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its cash flow requirements on a daily basis and 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 a fellow group undertaking.

The Company's assets are funded principally by borrowings from another group undertaking and the immediate parent company.

Of the cash and cash equivalents, £nil relates to cash held on deposit as security for the holders of the PPS in European Rail Finance Holdings Limited (2016: £26,417,500).

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

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

Notes to the financial statements (continued)

for the financial year ended 31 December 2017

18 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 2017						
Financial assets						
- Trade and other receivables	43	43	-	43	-	-
- Cash and cash equivalents	4	4	4	-	-	-
	47	47	4	43	-	-
Financial liabilities						
Non – derivative instruments						
– amortised cost						
- Trade and other payables	33	33	-	33	-	-
- Borrowings	400,283	400,283	340,562	-	57,221	2,500
	400,316	400,316	340,562	33	57,221	2,500
Total financial instruments	(400,269)	(400,269)	(340,558)	10	(57,221)	(2,500)
31 December 2016						
Financial assets						
- Trade and other receivables	60	60	-	60	-	-
- Cash and cash equivalents	26,658	26,658	240	-	26,418	-
	26,718	26,718	240	60	26,418	-
Financial liabilities						
Non – derivative instruments						
– amortised cost						
- Trade and other payables	674	674	-	674	-	-
- Borrowings	404,047	404,047	-	-	63,485	340,562
	404,721	404,721	-	674	63,485	340,562
Total financial instruments	(378,003)	(378,003)	240	(614)	(37,067)	(340,562)

19 Related-party transactions**19.1 Identity of related parties**

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

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

Notes to the financial statements (continued)

for the financial year ended 31 December 2017

19 Related-party transactions (continued)

19.1 Identity of related parties (continued)

The ultimate parent undertaking (which is the ultimate controlling party) is CK Hutchison Holdings Limited, incorporated in Cayman Islands. The immediate holding company is Eversholt UK Rails (Holding) Limited. 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 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

19.2 Transactions with related parties

Loans with Eversholt UK Rails (Holding) Limited (2016: Eversholt Investment Group (Luxembourg) sarl) and with Eversholt Rail Limited are more fully described in note 16. Interest on these loans is disclosed in note 6.

The Company has (refunded)/received fees for management services to other group companies as follows:

	2017	2016
	£	£
Eversholt Rail Limited	1,000	10,000
European Rail Finance Limited	(10,000)	10,000
Eversholt Rail Leasing Limited	(60,000)	60,000
Eversholt Rail (365) Limited	(10,000)	10,000
Eversholt Depot Finance Limited	(10,000)	10,000
Eversholt Funding plc	(10,000)	10,000
European Rail Finance Holdings Limited	-	10,000
Eversholt Rail Finance (2) Limited	-	7,000

The Company received from Eversholt Rail Limited a service fee of £87,965 (2016: £782,505).

The Company has paid Eversholt Rail Leasing Limited a service charge of £nil (2016: £110,000).

20 Contingent liabilities

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

21 Subsequent events

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