Eversholt Investment Limited

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

Registered No: IR490363

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

Eversholt Investment Limited (the "Company") continues to own 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 23.

In 2017, 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.

Business review

In the financial year the Company generated a profit of £51,846,000 (2017: £47,561,000). As at 31 December 2018 the company had net assets of £30,611,000 (2017: £18,865,000).

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

The Company has no employees following the transfer of its activity of providing management services and associated assets to Eversholt Rail Limited on 1 February 2017. 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 22 of the financial statements.

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

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's subsidiaries operate 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

Directors' report (continued)
for the financial year ended 31 December 2018

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 11 December 2018 the Directors declared and paid a dividend of £40,100,000 (2017: £44,000,000).

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

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 Eversholt Investment Limited
for the financial year ended 31 December 2018

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 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 25, 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 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 a going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's report to the Members of Eversholt Investment 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 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 2018

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 ACA
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
Dividend income	5	**90,000**	99,000
Service fee income		**-**	89
Finance income	6	**499**	557
Finance expense	7	**(51,195)**	(52,793)
Administrative expense	8	**(7)**	(188)
Profit before tax		**39,297**	46,665
Income tax credit	11	**12,549**	896
Profit for the financial year		**51,846**	47,561

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

The notes on pages 12 to 24 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 IR490363

Statement of financial position
as at 31 December 2018

Assets	Note	2018 £'000	2017 £'000
Non-current assets			
Investments in subsidiaries	13	418,238	418,238
Deferred tax	14	1,558	-
		419,796	418,238
Current assets			
Trade and other receivables	15	42	43
Current tax asset		11,888	896
Cash and cash equivalents	16	5	4
		11,935	943
Total assets		431,731	419,181
Liabilities and equity			
Current liabilities			
Trade and other payables	17	5	-
Borrowings	18	340,562	340,562
		340,567	340,562
Non-current liabilities			
Borrowings	18	60,553	59,754
Total liabilities		401,120	400,316
Equity			
Share capital	20	12	12
Share premium		13,660	13,660
Retained earnings		16,939	5,193
Total equity		30,611	18,865
Total equity and liabilities		431,731	419,181

The notes on pages 12 to 24 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 IR490363

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		**39,297**	46,665
Adjustments for:			
- Depreciation	**12**	**-**	3
- Finance income	**6**	**(499)**	(557)
- Finance expense	**7**	**51,195**	52,793
- Dividend income	**5**	**(90,000)**	(99,000)
Operating cash flow before movements in working capital		**(7)**	(96)
Decrease in trade and other receivables		**1**	17
Increase/(decrease) in trade and other payables		**5**	(674)
Cash utilised in operating activities		**(1)**	(753)
Group relief paid		**(1)**	(1)
Net cash utilised in operating activities		**(2)**	(754)
Cash flow from investing activities			
Transfer of assets to another group undertaking	**12**	**-**	67
Capital contribution to subsidiary		**-**	(25,000)
Dividend received	**5**	**90,000**	99,000
Net cash generated by investing activities		**90,000**	74,067
Cash flow from financing activities			
Movement in intercompany loan with Eversholt Rail Limited	**19**	**(2,234)**	(10,890)
Interest paid to parent undertaking	**19**	**(47,891)**	(48,023)
Repaid loan to Eversholt Investment Group (Luxembourg) SARL		**-**	(340,562)
Loan received from parent undertaking		**-**	340,562
Preference shares issued		**-**	2,500
Finance income received	**6**	**499**	557
Profit participating preference shares dividend paid	**19**	**(271)**	(111)
Shareholder dividends paid	**5**	**(40,100)**	(44,000)
Net cash utilised in financing activities		**(89,997)**	(99,967)
Net movement in cash and cash equivalents		**1**	(26,654)
Cash and cash equivalents at the beginning of the financial year		**4**	26,658
Cash and cash equivalents at end of the financial year	**16**	**5**	4

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

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	**20**	12	13,660	1,632	15,304
Total comprehensive income		-	-	47,561	47,561
Dividends paid	**5**	-	-	(44,000)	(44,000)
Balance at 31 December 2017		**12**	**13,660**	**5,193**	**18,865**
Total comprehensive income		-	-	51,846	51,846
Dividends paid	**5**	-	-	(40,100)	(40,100)
Balance at 31 December 2018		**12**	**13,660**	**16,939**	**30,611**

During the financial year the Company paid a dividend of £3,342 per share (2017: £3,667 per share).

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

1. General Information

Eversholt Investment Limited, is a private company incorporated in the Republic of Ireland under the Companies Act and is limited by shares (see note 20). 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.

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

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 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 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 Fees and other income

Income is recognised on satisfaction of the performance obligation in relation to the service required by the customer and when control of that service is passed to the customer. Income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate and recorded in 'Finance income'.

3.3 Income tax

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

Current tax is the tax expected to be payable on the taxable profit for the 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.

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

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

(a) there is a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income tax levied by the same taxation authority on either:

 (i) the same taxable entity; or

 (ii) different taxable entities that intended to either settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

3.4 Dividend income

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

3. Summary of significant accounting policies (continued)

3.5 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.

3.6 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 2 to 5 years.

The depreciation charge is included in the Income statement as detailed in note 8.

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

3.7 Subsidiaries

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

3.8 Financial instruments

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

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.

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:

Loans and receivables

These comprise Trade and other receivables that are held in order to collect the related contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest. 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.

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.

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. Summary of significant accounting policies (continued)

3.8 Financial instruments (continued)

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, allowance for lifetime expected credit loss ("ECL") is recognised for Trade receivables which result from transactions within the scope of IFRS 15 and which do not contain a significant financing component.

Where required, 12 month ECL allowance is carried for other 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.

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.

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.

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

3.9 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 balances 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)

3.10 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.

3.11 Use of judgements, estimates and assumptions

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

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

No significant judgements have been required in the process of applying the Company's accounting policies.

Critical estimates and assumptions in applying the Company's accounting policies

The following are the critical estimates and assumptions that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Investment in subsidiaries

The carrying value of the Company's investment in its subsidiaries is assessed for indications of impairment at the end of each reporting period. If such indication exits, recoverable amount for the investment is estimated based on the projected future cashflows accruing to the Company from ownership, discounted at a rate reflecting the time value of money and risks specific to the investment.

3.12 Preference shares

Preference shares issued by the Company are classified as a liability where the holder of these shares has a fixed and variable entitlement to a dividend. The dividend payable is recorded within finance expense. Preference shares issued by its subsidiary, European Rail Finance Holdings Limited are included within its cost of investment in subsidiaries. The dividend receivable on preference shares is recorded within finance income.

4. Implementation of new IFRS Standards

IFRS 9 – Financial Instruments

IFRS 9 "Financial Instruments" is effective for the 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 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.

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

4. Implementation of new IFRS Standards (continued)

IFRS 9 – Financial Instruments (continued)

Classification and measurement (continued)
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 assets in the scope of IFRS 9 are the Company's "Trade and other receivables" and "Cash and cash equivalents."

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.

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. Dividends

During the financial year the Company received a dividend of £15,000,000 on 5 April, £10,000,000 on 5 July, £10,000,000 on 8 October and £55,000,000 on 11 December (2017: £99,000,000) and paid a dividend of £40,100,000 (2017: £44,000,000).

6. Finance income

	2018 £'000	2017 £'000
Fixed rate preference dividend	**495**	495
Bank interest	**4**	62
	499	557

Finance income represents income on financial assets carried at amortised cost.

7. Finance expense

	2018 £'000	2017 £'000
Interest payable to Eversholt Investment Group (Luxembourg) SARL	**-**	(22,437)
Interest payable to Eversholt UK Rails (Holding) Limited	**(47,891)**	(25,586)
Interest payable to Eversholt Rail Limited	**(2,951)**	(4,626)
Financing fees	**-**	(111)
Dividend on profit participating preference shares	**(353)**	(33)
	(51,195)	(52,793)

Finance expense represents expense on financial liabilities carried at amortised cost.

8. Administrative expense

Administrative expense includes the following:	2018 £'000	2017 £'000
Foreign exchange loss	**-**	(3)
Depreciation	**-**	(3)
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	**(6)**	(2)

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

9. Staff numbers and costs

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

The aggregate payroll costs of these persons were as follows:

	2018 £'000	2017 £'000
Wages and salaries (excluding Directors' emoluments)	-	(30)
Social security costs	-	(3)
Contributions to defined contribution pension scheme	-	(3)
	-	(36)

10. Directors' emoluments

	2018 £'000	2017 £'000
For services to the Company	-	(14)
	-	(14)

The emoluments of the highest paid director, including benefits in kind were £nil (2017: £11,000). None of the Directors have any share options or interest in the share capital of the Company.

Directors of the Company have been paid by another group undertaking, Eversholt Rail Limited, following the transfer of its activities of providing management services on 1 February 2017. No specific charge has been made to the Company in this regard, therefore, the Directors' remuneration is £nil (2017: £14,000) and all disclosures relating to sections 305 and 306 of Companies Act 2014 are £nil (2017: £14,000).

11. Income tax credit

	Note	2018 £'000	2017 £'000
Current tax			
On current financial year profit		5,291	896
On prior financial year profit		5,700	-
Income tax credit		10,991	896
Deferred tax			
Origination and reversal of temporary differences		1,741	-
Change in tax rates		(183)	-
	14	1,558	-
Total tax credit		12,549	896

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

	2018 £'000	2017 £'000
Profit before tax	39,297	46,665
Taxation at corporation tax rate 19% (2017: 19.25%)	(7,466)	(8,983)
Change in tax rates	(183)	-
Prior financial year adjustments	5,700	-
Permanent tax differences	17,127	9,879
Other tax attributes unrecognised	(2,629)	-
Income tax credit	12,549	896

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

12. Property, plant and equipment

	Fixtures and fittings £'000
Cost	
Balance at 1 January 2017	173
Disposal to Eversholt Rail Limited	(173)
Balance at 31 December 2017	-
Depreciation	
Balance at 1 January 2017	**103**
Charge for the financial year	3
Disposal to Eversholt Rail Limited	**(106)**
Balance at 31 December 2017	-
Carrying value at 31 December 2017	-

13. Investments in subsidiaries

	2018 £'000	2017 £'000
Cost at 31 December	**418,238**	418,238

Cost of investment in subsidiaries includes £49,500,000 investment in preference shares issued by European Rail Finance Holdings Limited.

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 2018	Ownership Percentage 2017
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*	Ordinary Shares	England***	Leasing	100	100
Eversholt Rail Holdings (UK) Limited*	Ordinary Shares	England***	Investment	100	100
Eversholt Rail Limited*	Ordinary Shares	England***	Management services	100	100
Eversholt Depot Finance Limited*	Ordinary Shares	England***	Leasing	100	100
Eversholt Rail (365) Limited*	Ordinary Shares	England***	Leasing	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 2018

14. Deferred tax

The Company has created a deferred tax asset of £1,557,996 (2017: £nil) in relation to interest expense disallowance for tax purposes in the financial year under the Corporate Interest Restriction ("CIR") rules.

The CIR rules were introduced on 1 April 2017 and are contained within Part 10 of Taxation (International Other Provisions) Act 2010. In 2018, the CIR rules have resulted in a disallowance in the Company which has created a tax attribute which has been recognised to the extent that the Company expects to have sufficient interest allowance in subsequent financial years.

In assessing the recoverability of deferred tax assets, the Company will consider the extent to which it is probable that there will be sufficient taxable profit in the future to allow the benefit of part or all of the deferred tax asset to be utilised. In assessing this, the Company will have regard to internal profit projections and budgets and related tax impacts, as well the amount and timing of reversal of timing differences giving rise to deferred tax liabilities at the balance sheet date.

15. Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	-	1
Dividends receivable	42	42
	42	43

16. Cash and cash equivalents

Cash and cash equivalents are analysed as:

	2018 £'000	2017 £'000
Bank accounts	5	4

17. Trade and other payables

	2018 £'000	2017 £'000
Accruals	5	-
	5	-

18. Borrowings

	2018 £'000	2017 £'000
Current		
Eversholt UK Rails (Holding) Limited	**340,562**	340,562
Non-current		
Eversholt Rail Limited	**57,938**	57,221
Profit participating preference shares	**2,615**	2,533
	60,553	59,754
	401,115	400,316

The intercompany loan with Eversholt Rail Limited is classified as non-current as it is repayable on 4 November 2023. 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 (2017: Group's senior debt, plus margin).

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

18. Borrowings (continued)

In 2017 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 (the "Parent").

The Company and the Parent are members of the Security Group. The Security Group consists of the Parent and its subsidiaries, except for Eversholt Rail (365) Limited, which are party to Financing Documents dated 4 November 2010. All members of the Security Group are jointly and severally liable for the obligations of each member of the Security Group under the Financing Documents. The intercompany loan between the Company and the Parent is repayable on demand. As both the Company and the Parent are members of the Security Group, such a payment is permitted under the terms of the Financing Documents. However, the terms of the Financing Documents would restrict the Parent's use of the proceeds.

The activities of the Security Group are, in part, funded through a subordinated loan agreement between Eversholt UK Rails Limited (as lender) and the Parent (as borrower). Eversholt UK Rails Limited's rights under this subordinated loan agreement (including its right to repayment) are subject to the terms of the Financing Documents.

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 LIBOR based return and a right to 0.1% of post-tax profits arising in the issuing company during the reference period.

19. Reconciliation of liabilities arising from financing activities

Financing activities attributable to:	As at 31 December 2017 £'000	Cash Flows payments £'000	Non-cash finance expense £'000	As at 31 December 2018 £'000
Liabilities				
Profit participating preference shares	2,533	(271)	353	2,615
Eversholt Rail Limited	57,221	(2,234)	2,951	57,938
Eversholt UK Rails (Holding) Ltd	340,562	(47,891)	47,891	340,562
	400,316	**(50,396)**	**51,195**	**401,115**

20. Share capital

	2018 £'000	2017 £'000
Authorised		
100,000 Ordinary shares of £1 each (2017: 100,000)	**100**	100
Issued, allotted, called up and fully paid		
12,000 Ordinary shares of £1 each	**12**	12

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

21. 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.

22. Risk management

The Company is exposed to the risk of diminution in the value of the investment in its subsidiaries. The Company also has exposure to the following types of risk arising from its use of financial instruments: capital risk, market risk, credit risk and liquidity 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 3.11.

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

22.1 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 borrowings from other group undertakings and equity from its immediate parent.

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

22.2 Market risk management

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

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 net cost or benefit derived from the use of swaps is taken into account in determining the interest charged on loans from other group entities.

Interest rate sensitivity analysis

A 50 basis points increase in LIBOR would have resulted in an increase in intercompany interest expense of £47,076, an increase in cash deposit interest received of £27 and an increase in dividend on profit participating preference shares of £12,500. The sensitivity analysis is applied to the borrowing or lending rate and performed on the monthly balance of the relevant financial instrument.

22.3 Credit risk management

Credit risk is the risk of financial loss if a counterparty fails to meet its obligations under a contract.

The Company monitors exposure to trade and other receivables, and the banks holding the Company's cash and cash equivalents 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 financial assets are 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 or 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 financial assets 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 trade and other receivables or cash and cash equivalents. 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.

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

22. Risk management (continued)

22.4 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 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.

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

	Carrying value £'000	Contractual cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
31 December 2018						
Financial assets						
- Trade and other receivables	42	42	-	42	-	-
- Cash and cash equivalents	5	5	5	-	-	-
	47	47	5	42	-	-
Financial liabilities						
Non – derivative instruments – amortised cost						
- Trade and other payables	5	5	-	5	-	-
- Borrowings	401,115	401,115	340,562	115	57,938	2,500
	401,120	401,120	340,562	120	57,938	2,500
Total financial instruments	(401,073)	(401,073)	(340,557)	(78)	(57,938)	(2,500)
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	-	-	-	-	-	-
- Borrowings	400,316	400,316	340,562	33	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)

22.5 Investment in subsidiaries

The Company monitors the performance of its subsidiaries on an ongoing basis having regards to the environment in which they operate and the risk to which they are exposed.

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

23. Related-party transactions

23.1 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 (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 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

23.2 Transactions with related parties

Loans with Eversholt UK Rails (Holding) Limited (2017: Eversholt Investment Group (Luxembourg) SARL) and with Eversholt Rail Limited are more fully described in note 18. Interest on these loans is disclosed in note 7.

Following the transfer of the Company's business and employees to Eversholt Rail Limited on 1 February 2017, the Company no longer provides management services to other group undertakings

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

	2018 £	2017 £
Eversholt Rail Limited	-	1,000
European Rail Finance Limited	-	(10,000)
Eversholt Rail Leasing Limited	-	(60,000)
Eversholt Rail (365) Limited	-	(10,000)
Eversholt Depot Finance Limited	-	(10,000)
Eversholt Funding plc	-	(10,000)

In 2017, the Company received from Eversholt Rail Limited a service fee of £87,965.

24. Contingent liabilities

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

25. Subsequent events

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