

# **Eversholt Rail Holdings (UK) Limited**

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

**Registered No: 04415647**

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

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## Strategic report

for the year ended 31 December 2018

### Business review

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

In the year the Company generated a profit of £nil (2017: profit of £7,923,335). As at 31 December 2018 the Company had net assets of £1 (2017: £1).

The Company is funded by equity from its immediate parent.

The Company's subsidiary, Eversholt Rail (380) Limited was voluntarily liquidated on 11 December 2018. Prior to the voluntary liquidation the Company received £2 in dividends, which it offset against its investment in Eversholt Rail (380) Limited.

In 2017 the Group underwent a reorganisation which included the sale for a consideration of £114,974,151 by the Company on 31 May 2017 of its interests in Eversholt Depot Finance Limited, Eversholt Rail (365) Limited and Eversholt Rail Limited to Eversholt Rail Leasing Limited. The purpose of the reorganisation was to simplify the corporate structure of the Group.

The Company has no employees (2017: nil).

### Risk management

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

### Financial performance

The Company's results for the financial year are detailed in the Income statement on page 8. The results are all derived from discontinued operations at 31 December 2018 as it is anticipated that the Company will be voluntarily liquidated in 2019 on a date yet to be determined.

Performance measures for the Group are disclosed in the accounts of Eversholt UK Rails Limited.

### Business environment

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

Approved by the Board and signed on its behalf by:



**M B Kenny**  
Director

Registered Office  
210 Pentonville Road  
London  
N1 9JY  
United Kingdom

15 February 2019

## **Directors' report**

for the year ended 31 December 2018

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

### **Directors**

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

M B Kenny  
A J Course  
A J Wesson

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

### **Future developments**

It is currently anticipated that the Company will be voluntary liquidated in 2019 on a date yet to be determined as part of the ongoing simplification of the Group structure.

### **Dividends**

The Directors did not declare any dividends during the year (2017: £nil).

### **Going concern basis**

The Directors consider the results for the financial year and the year end position of the Company to be satisfactory. As part of the ongoing simplification of the Group structure it is anticipated that the Company will be voluntarily liquidated in 2019. The Company therefore ceases to be a going concern. As such the financial statements, have been prepared on a basis other than that of a going concern as required by IAS 1 "Presentation of Financial Statements".

The carrying value of the assets and liabilities held by the Company have been reassessed and recorded at their realisable value.

### **Disclosure of information to the auditor**

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

### **Auditor**

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

Approved by the Board and signed on its behalf by:

**M B Kenny**  
Director



Registered Office  
210 Pentonville Road  
London  
N1 9JY  
United Kingdom  
15 February 2019

## **Statement of Directors' responsibilities**

for the year ended 31 December 2018

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

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

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

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

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

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

The Company's annual financial statements were approved by the Board of Directors on 15 February 2019 and signed on their behalf by:



**M B Kenny**  
Director

Registered Office  
210 Pentonville Road  
London  
N1 9JY  
United Kingdom

**Independent Auditor's report to the Members of Eversholt Rail Holdings (UK) Limited**

for the year ended 31 December 2018

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements of the Company:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board ("IASB"); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of the Company which comprise:

- the Income statement;
- the Statement of comprehensive income;
- the Statement of financial position;
- the Statement of cash flows;
- the Statement of changes in equity; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described 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 the UK, including the Financial Reporting Council's Ethical Standard, 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.

**Emphasis of matter – Financial statements prepared other than on a going concern basis**

We draw attention to note 2.3 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

**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 respect of these matters.

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

for the year ended 31 December 2018

**Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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

for the year ended 31 December 2018

**Use of our report**

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



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

15 February 2019



## Eversholt Rail Holdings (UK) Limited

### Income statement

for the year ended 31 December 2018

	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
Profit on disposal of investments	<b>9</b>	-	9,970,839
Impairment loss on investment	<b>9</b>	-	(98,921)
Finance expense	<b>5</b>	-	(2,411,117)
Administrative expense	<b>6</b>	-	(1,989)
<b>Profit before tax</b>		-	7,458,812
Income tax credit	<b>8</b>	-	464,523
<b>Profit for the year</b>		-	7,923,335

The above results are all derived from discontinued operations.

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

### Statement of comprehensive income

for the year ended 31 December 2018

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

**Statement of financial position**

as at 31 December 2018

	<i>Note</i>	<b>2018</b> £	<b>2017</b> £
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	9	-	2
<b>Current assets</b>			
Loan receivable	10	1	-
<b>Total assets</b>		<b>1</b>	<b>2</b>
<b>Liabilities and equity</b>			
<b>Non-current liabilities</b>			
Borrowings	11	-	1
<b>Total liabilities</b>		<b>-</b>	<b>1</b>
<b>Equity</b>			
Share capital	12	1	1
Retained deficit		-	-
<b>Total equity</b>		<b>1</b>	<b>1</b>
<b>Total equity and liabilities</b>		<b>1</b>	<b>2</b>

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

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



**A J Wesson**  
Director

Company registration number 04415647

# Eversholt Rail Holdings (UK) Limited

## Statement of cash flows

for the year ended 31 December 2018

	<i>Note</i>	<b>2018</b> <b>£</b>	<b>2017</b> <b>£</b>
<b>Cash flow from operating activities</b>			
Profit before tax		-	7,458,812
Adjustments for:			
- Finance expense	<b>5</b>	-	2,411,117
- Profit on disposal of investments	<b>9</b>	-	(9,970,839)
- Impairment loss on investment	<b>9</b>	-	98,921
<b>Operating cash flow before changes in working capital</b>		-	(1,989)
Decrease in trade and other payables		-	(1,350)
<b>Cash utilised in operating activities</b>		-	(3,339)
Receipt in respect of group relief		-	1,919,762
<b>Net cash generated by operating activities</b>		-	1,916,423
<b>Cash flow from investing activities</b>			
Disposal of investment in subsidiaries		<b>2</b>	114,974,151
<b>Cash generated by investing activities</b>		<b>2</b>	114,974,151
<b>Cash flow from financing activities</b>			
Movement in intercompany loan with Eversholt Rail Limited	<b>10,11</b>	<b>(2)</b>	(116,890,574)
<b>Net cash utilised in financing activities</b>		<b>(2)</b>	(116,890,574)
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the year		-	-
<b>Cash and cash equivalents at end of the year</b>		-	-

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

		Share capital £	Retained deficit £	Total equity £
Balance at 1 January 2017	12	1	(7,923,335)	(7,923,334)
Total comprehensive income		-	7,923,335	7,923,335
<b>Balance at 31 December 2017</b>		<b>1</b>	<b>-</b>	<b>1</b>
Total comprehensive income		-	-	-
<b>Balance at 31 December 2018</b>		<b>1</b>	<b>-</b>	<b>1</b>

Dividends per share paid during the year is £nil (2017: £nil per share).

## Notes to the financial statements

for the year ended 31 December 2018

### 1. General Information

Eversholt Rail Holdings (UK) Limited is a private company incorporated in England and Wales and is limited by shares (see note 12). The registered office of the Company is 210 Pentonville Road, London, N1 9JY, United Kingdom.

### 2. Basis of Preparation

These financial statements are presented in £s, unless otherwise stated.

The Company is exempt from the requirement to prepare consolidated financial statements by section 401 of the Companies Act 2006. These financial statements present information about the Company as an individual undertaking.

#### 2.1 Compliance with IFRSs

The financial statements of Eversholt Rail Holdings (UK) Limited have been prepared on the historical cost basis. These financial statements have been prepared in accordance with IFRSs as issued by the IASB and as endorsed by the 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 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 the Company for the 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 year, the Company adopted a number of interpretations and amendments to standards which had no material effect on the financial statements.

At 31 December 2018, a number of standards and amendments to standards have been issued by the IASB, which are not effective for the Company's financial statements as at 31 December 2018. The following adopted IFRSs have been issued but have not been applied by the Company in these financial statements. They are applicable for periods beginning on or after 1 January 2019 and are not anticipated to have a material impact on the financial statements.

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

#### 2.3 Going concern

As part of the ongoing simplification of the Group structure it is anticipated that the Company will be voluntarily liquidated in 2019. The Company therefore ceases to be a going concern. As such the financial statements have been prepared on a basis other than that of a going concern as required by IAS 1 "Presentation of Financial Statements".

## Notes to the financial statements (continued)

for the 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 expense

Finance expense for all interest bearing financial instruments is recognised in '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 liability and of allocating the interest expense over the relevant financial periods.

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 liability on initial recognition. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses.

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

#### 3.2 Income tax

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

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

#### 3.3 Dividend income

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

#### 3.4 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.

#### 3.5 Financial instruments

This policy reflects the introduction of IFRS 9 financial instruments in 2018.

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

##### Classification and measurement

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

The Company holds the following classes of financial instruments:

## Notes to the financial statements (continued)

for the year ended 31 December 2018

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

#### 3.5 Financial instruments (continued)

##### Classification and measurement (continued)

###### Loans receivable

These comprise loan 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 transactions 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.

###### Financial liabilities

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

##### Impairment of financial assets

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

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

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

##### Determination of fair value

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

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

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

#### 3.6 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.

## Notes to the financial statements (continued)

for the year ended 31 December 2018

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

#### 3.7 Share capital

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

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

#### 3.8 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.

### 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. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

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

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

##### *Impairment*

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

##### *Disclosure*

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



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

**5. Finance expense**

	2018 £	2017 £
Interest payable to Eversholt Rail Limited	-	(2,362,330)
Finance charges payable to Eversholt Funding plc	-	(48,787)
	<u>-</u>	<u>(2,411,117)</u>

Finance expense represents interest charged in relation to finance liabilities carried at amortised cost.

**6. Administrative expense**

Administrative expense includes the following:

	2018 £	2017 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	-	(1,989)

In 2018 fees payable to the Company's auditor were borne by another group undertaking.

The Company has no employees and hence no staff costs (2017: nil).

**7. Directors' emoluments**

The Directors have been paid by another group undertaking, Eversholt Rail Limited, in the current and prior year. No specific charge has been made to the Company in this regard.

**8. Income tax credit**

	2018 £	2017 £
<b>Current tax</b>		
UK Corporation tax on current year profit	-	464,523
<b>Income tax credit</b>	<u>-</u>	<u>464,523</u>

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

	2018 £	2017 £
<b>Profit before tax</b>	-	7,458,812
Taxation at corporation tax rate of 19% (2017: 19.25%)	-	(1,435,821)
Non-taxable income	-	1,900,344
<b>Income tax credit</b>	<u>-</u>	<u>464,523</u>

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, were taxable profits to arise.

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

for the year ended 31 December 2018

**9. Investment in subsidiaries**

	2018 £	2017 £
Cost at 31 December	-	2

The subsidiary undertaking of the Company as at 31 December 2017 was:

Name of Undertaking	Class of Capital	Country of Incorporation	Type of business	Ownership Percentage 2018	Ownership Percentage 2017
Eversholt Rail (380) Limited	Ordinary Shares	England*	Liquidated	-	100

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

Eversholt Rail (380) Limited was voluntarily liquidated on 11<sup>th</sup> December 2018. Prior to the voluntary liquidation the Company received £2 in dividends, which it offset against the investment in Eversholt Rail (380) Limited. The Company used the £2 received to repay its loan with Eversholt Rail Limited of £1 and deposited remaining £1 with Eversholt Rail Limited.

In 2017 the Group underwent a reorganisation which included the sale by the Company on 31 May 2017 of its interests in Eversholt Depot Finance Limited, Eversholt Rail (365) Limited and Eversholt Rail Limited.

Consideration of £114,974,151 for the sale was satisfied in the form of a loan to the purchaser, Eversholt Rail Leasing Limited. The Company recognised a profit on the disposal of £9,970,839.

In 2017 the Company recognised an impairment loss of £98,921 in relation to its investment in Eversholt Rail (380) Limited.

**10. Loan receivable – current**

	2018 £	2017 £
Eversholt Rail Limited	1	-

The loan receivable from Eversholt Rail Limited is presented as a current asset as it is anticipated that the Company will be voluntarily liquidated in 2019. The loan is interest free.

**11. Borrowings – non-current**

	2018 £	2017 £
Eversholt Rail Limited	-	1

The intercompany loan with Eversholt Rail Limited as at 31 December 2017 is classified as non-current as it was 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).

**12. Share capital**

	2018 £	2017 £
<b>Authorised, called up and fully paid</b>		
1 Ordinary share of £1 each	1	1

The holder of ordinary share is entitled to attend and vote at annual general meetings and receive dividends as and when declared.

## Notes to the financial statements (continued)

for the year ended 31 December 2018

### 13. Fair value of financial assets and liabilities

There are no material differences between the carrying value and the fair value of financial assets and liabilities as at 31 December 2018 and 31 December 2017.

### 14. Risk management

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

Sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed in note 3.8.

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

#### Capital risk management

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

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

#### Credit risk management

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

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

The loan is performing in accordance with the terms of the arrangement i.e. all payments to date as well as those expected in the future, have been made/are expected to be made in accordance with the underlying contractual terms. No part of the debt 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 loan receivable represents the Company's maximum credit exposure to the borrower.

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

#### Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its cash flow requirements on a daily basis and compares expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. Cash is managed on a consolidated basis across the Group which enables the Company to borrow funds from another group undertaking to meet any shortfall. Conversely, the Company lends any surplus funds to other group undertakings. Liquidity is further under-pinned by the ability of certain group undertakings to borrow under a £600m revolving credit facility which matures on 4 November 2023 and lend proceeds to the Company.

Undiscounted cash flows 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:

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

**14. Risk management (continued)**

**Liquidity risk management (continued)**

	Carrying value £	Contractual cash flows £	On demand £	Due within 1 year £	Due between 2-5 years £	Due after 5 years £
<b>31 December 2018</b>						
<b>Financial assets</b>						
- Intercompany loan	1	1	-	1	-	-
<b>Total financial instruments</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>
	£	£	£	£	£	£
<b>31 December 2017</b>						
<b>Financial liabilities</b>						
- Intercompany loan	1	1	-	-	-	1
<b>Total financial instruments</b>	<b>(1)</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>

**Market risk management**

**Foreign currency risk**

The Company is not exposed to foreign exchange risk in its financial assets or financial liabilities.

**Interest rate risk**

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 on loans from group entities.

**Interest rate sensitivity analysis**

A 50 basis points increase in LIBOR would have resulted in an increase in intercompany interest expense of £nil. The sensitivity analysis is applied to the borrowing rate and performed on the monthly balance of the relevant financial instrument.

**15. Related-party transactions**

**15.1 Identity of related parties**

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

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

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

**15. Related-party transactions (continued)**

**15.1 Identity of related parties (continued)**

The ultimate parent undertaking (which is the ultimate controlling party) is CK Hutchison Holdings Limited, incorporated in the Cayman Islands. The parent undertaking of the largest and smallest group of undertakings for which group financial statements are drawn up and of which the Company is a member is CK Hutchison Holdings Limited. The immediate holding company is Eversholt Rail Leasing Limited. The results of the Company are included in the Group financial statements of CK Hutchison Holdings Limited.

Copies of the Group financial statements of CK Hutchison Holdings Limited may be obtained from the following address (the registered office of the ultimate parent undertaking):

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

**15.2 Transactions with related parties**

The Company has loans with related parties, more fully described in note 10 and 11.

Finance charges payable to Eversholt Funding plc and Eversholt Rail Limited are disclosed in note 5.

**16. Contingent liabilities**

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

**17. Subsequent events**

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