

Eversholt Rail Limited

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

Registered No: 06953114

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

During the year and up to the date of signing the financial statements, Eversholt Rail Limited (the "Company"), provided asset management and administrative services on an arm's length basis to other companies in the Eversholt UK Rails Group ("Group") more fully described in note 31. These included the procurement and management of heavy maintenance on rolling stock, asset management services and consultancy services. The Company also manages utilisation of the Group's senior debt to fund the activities of other group undertakings and is responsible for day to day cash management for the Group.

In the year the Company generated a profit of £16,133,000 (2017: £5,266,000). As at 31 December 2018 the Company had net assets of £141,561,000 (2017: £125,062,000). The average number of persons employed by the Company during the year was 116 (2017: 110).

During 2017 the Group underwent a reorganisation which included the transfer on 31 May 2017 of the ownership of the Company from Eversholt Rail Holdings (UK) Limited to Eversholt Rail Leasing Limited. The purpose of the reorganisation was to simplify the corporate structure of the Group.

Risk management

Underpinning all of the Group's activities is the primary requirement to effectively manage safety risks. The Company employs highly skilled engineers to manage safety risks in accordance with guidance provided by specialists who monitor safety performance and legislative requirements.

The principal commercial risk for the Company arises in respect of its long term maintenance contracts. This risk is managed by close monitoring of maintenance expenditure incurred against forecasts which are informed by maintaining an excellent knowledge of the condition of the Group's fleets of rolling stock.

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 27 of the financial statements.

Financial performance

The Company's results for the financial year are detailed in the Income statement on page 9.

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.

Approved by the Board and signed on its behalf:



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 provisions 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.

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.

Future developments

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

Dividends

Dividends of £nil were paid in the year (2017: £20,000,000). Dividend payments are reflected in the financial statements in the year in which they are declared.

Going concern basis

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources, 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 report confirms that so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given pursuant to Section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

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

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:

A handwritten signature in black ink, consisting of a stylized 'M' followed by a horizontal line extending to the right.

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 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

15 February 2019

Independent Auditor's Report to the Members of Eversholt Rail 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 profit 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 33.

The financial reporting framework that has been applied in their preparation is applicable law 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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

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.

Independent Auditor's report to the Members of Eversholt Rail Limited (continued)
for the year ended 31 December 2018

Other information (continued)

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.

Respective responsibilities of directors and auditor

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. 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

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

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

Independent Auditor's report to the Members of Eversholt Rail 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

Income statement

for the year ended 31 December 2018

	<i>Note</i>	2018 £'000	2017 £'000
Revenue			
Maintenance income	5.1	57,449	70,264
Service fee income	5.1	20,052	18,890
Other income	5.1	4,251	1,728
Total revenue		81,752	90,882
Cost of sales	6	(41,908)	(49,071)
Gross profit		39,844	41,811
Finance income	7	117,431	109,886
Finance expense	8	(115,909)	(107,276)
Pension finance expense	26.6	(95)	(147)
Administrative expense	9	(20,910)	(21,503)
Loss on disposal of property, plant and equipment	14	(10)	-
Profit before tax		20,351	22,771
Income tax charge	12	(4,218)	(17,505)
Profit for the year		16,133	5,266

There were no discontinued or discontinuing operations during the year.

The notes on pages 13 to 39 form an integral part of these financial statements.

Statement of comprehensive income

for the year ended 31 December 2018

	<i>Note</i>	2018 £'000	2017 £'000
Profit for the year		16,133	5,266
Other comprehensive income/(expense)			
Actuarial gain on defined benefit scheme	26.7	441	2,452
Tax charge in respect of actuarial gain on defined benefit scheme	23	(75)	(417)
Effective portion of changes in fair value of cash flow hedges	24	-	153
Tax charge on changes in effective portion of changes in fair value of cash flow hedges	23,24	-	(26)
		366	2,162
Total comprehensive income for the year		16,499	7,428

Statement of financial position
as at 31 December 2018

	Note	2018 £'000	2017 £'000
Assets			
Non-current assets			
Property, plant and equipment	14	630	782
Deferred tax	23	1,416	1,377
Amounts owed by group undertakings	17	2,368,879	2,299,570
		<u>2,370,925</u>	<u>2,301,729</u>
Current assets			
Inventory	15	736	942
Trade and other receivables	16	20,865	31,516
Amounts owed by group undertakings	17	57,039	54,588
Cash and cash deposits	18	171,095	336,368
		<u>249,735</u>	<u>423,414</u>
Total assets		<u>2,620,660</u>	<u>2,725,143</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	19	19,098	26,034
Current tax		20,008	11,838
Borrowings	20	21,266	21,151
Provisions	22	35	35
		<u>60,407</u>	<u>59,058</u>
Non-current liabilities			
Retirement benefit obligation	26.5	3,691	3,874
Borrowings	20	2,390,782	2,512,759
Contract liabilities	5.2	24,219	24,390
		<u>2,418,692</u>	<u>2,541,023</u>
Total liabilities		<u>2,479,099</u>	<u>2,600,081</u>
Equity			
Share capital	25	100,000	100,000
Retained earnings		41,561	25,062
Total equity		<u>141,561</u>	<u>125,062</u>
Total equity and liabilities		<u>2,620,660</u>	<u>2,725,143</u>

The notes on pages 13 to 39 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: 06953114

Statement of cash flows

for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Cash flow from operating activities			
Profit before tax		20,351	22,771
Adjustments for:			
- Depreciation	9	345	315
- Write down of inventory	9	206	206
- Loss on disposal of property, plant and equipment	14	10	-
- Finance income	7	(117,431)	(109,886)
- Finance expense	8	115,909	107,276
- Adjustment for non-cash element of pension charge		258	359
Operating cash flow before working capital		19,648	21,041
Decrease/(increase) in trade and other receivables		10,651	(1,427)
(Decrease)/increase in trade and other payables		(6,936)	9,536
(Decrease)/increase in contract liabilities		(171)	12,434
Cash flow generated by operating activities		23,192	41,584
Taxation received/(paid)		3,838	(9,244)
Net cash generated by operating activities		27,030	32,340
Cash flow from investing activities			
Acquisition of property, plant and equipment		(203)	(242)
Investment in short-term bank deposits		220,000	(250,000)
Net cash generated by/(utilised in) investing activities		219,797	(250,242)
Cash flow from financing activities			
Movement in intercompany loan accounts	21	(311,483)	(272,303)
Movement in loan from Eversholt Funding plc		-	450,000
Movement in term lending to Eversholt Rail Leasing Limited	21	118,759	118,760
Dividends paid		-	(20,000)
Intercompany accrued interest	20	115	6,152
Finance income received	7	2,190	761
Finance expense paid	8	(1,681)	(2,217)
Net cash (utilised in)/generated by financing activities		(192,100)	281,153
Net movement in cash and cash equivalents		54,727	63,251
Cash and cash equivalents at beginning of the year		86,368	23,117
Cash and cash equivalents at end of the year	18	141,095	86,368

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

	Note	Share capital £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	25	100,000	(127)	37,761	137,634
Profit for the year		-	-	5,266	5,266
Actuarial gain on defined benefit scheme	26.7	-	-	2,452	2,452
Effective portion of changes in fair value of cash flow hedges	24	-	153	-	153
Income tax on other comprehensive income	23	-	(26)	(417)	(443)
Total comprehensive income		-	127	7,301	7,428
Dividends paid		-	-	(20,000)	(20,000)
Balance at 31 December 2017	25	100,000	-	25,062	125,062
Profit for the year		-	-	16,133	16,133
Actuarial gain on defined benefit scheme	26.7	-	-	441	441
Income tax on other comprehensive income	23	-	-	(75)	(75)
Total comprehensive income		-	-	16,499	16,499
Dividends paid		-	-	-	-
Balance at 31 December 2018		100,000	-	41,561	141,561

Dividends of £nil per share were paid during the year (2017: £0.20).

Notes to the annual financial statements

for the year ended 31 December 2018

1 General Information

Eversholt Rail Limited is a private company incorporated in England and Wales and is limited by shares (see note 25). 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 £'000. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.1 Compliance with IFRSs

The financial statements of Eversholt Rail Limited have been prepared on the historical cost basis except for the revaluation of derivative financial instruments. 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 (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.

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

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. It will supersede the current lease guidance including IAS 17 Leases and the related Interpretations. The date of initial application of IFRS 16 for the Company will be 1 January 2019.

The Company has chosen the modified retrospective application of IFRS 16 in accordance with IFRS 16:C5(b). Consequently, the Company will not restate the comparative information.

The Company will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

Notes to the annual financial statements (continued)

for the year ended 31 December 2018

2 Basis of Preparation (continued)

2.2 Standards and Interpretations issued by the IASB (continued)

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has the right to:

- obtain substantially all economic benefits from the use of an identified asset; and
- direct the use of that asset.

The Company will apply IFRS 16's lease definition to all lease contracts entered into or modified on or after 1 January 2019.

Impact on Lessee Accounting

Operating leases:

IFRS 16 will change how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet. On initial application of IFRS 16, the Company will:

- a) Recognise right-of-use assets and lease liabilities in the Statement of financial position;
- b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the Income statement; and
- c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the Statement of cash flows.

As at 31 December 2018, the Company has non-cancellable operating lease commitments of £4,423,928 and a preliminary assessment indicates that the Company will recognise a related right-of-use asset of £2,847,809 and a corresponding lease liability of £4,146,043. The impact on the Income statement is to decrease future administrative expense, and to increase depreciation and interest expense by similar amounts.

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under IFRS 16 would be to reduce the cash generated by operating activities and to increase net cash used in financing activities by the same amount.

Finance leases:

IFRS 16 is not expected to impact the accounting for leases currently presented as finance leases.

Impact on Lessor Accounting:

Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and will account for each differently. IFRS 16 does not change the accounting treatment of leases for lessors. However, IFRS 16 has expanded the disclosures required. The company is currently not a lessor.

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.

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 Maintenance income, costs, contract assets and liabilities

Following the industry standard and as acknowledged by legislation, heavy maintenance services are provided to successive lessees based on a whole-of-life model. Amounts received under these arrangements that relate to maintenance services to be performed in future years are included in contract

Notes to the annual financial statements (continued)

for the year ended 31 December 2018

3 Summary of significant accounting policies (continued)

3.1 Maintenance income, costs, contract assets and liabilities (continued)

liabilities. When maintenance services are performed, the cost of which will be recovered under these arrangements only in future years, the future recoverable amount is included in contract assets. Revenue from maintenance services rendered is recognised when the services are provided and performance obligations satisfied. In all cases maintenance service costs are expensed as incurred. This policy reflects the introduction of IFRS 15 revenue in 2018 (see note 5).

3.2 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 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 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.

3.3 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'.

3.4 Income tax

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

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates enacted or substantively enacted by the end of the reporting year and any adjustment to tax payable in respect of previous years. 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 periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the end of the reporting year. 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.

Notes to the annual financial statements (continued)

for the year ended 31 December 2018

3 Summary of significant accounting policies (continued)

3.5 Property, plant and equipment

Equipment, fixtures and fittings are stated at cost being the fair value at acquisition date less any impairment losses and depreciation calculated on a straight-line basis to write off the assets over 2 to 5 years.

The depreciation charge is included within Administrative expense in the Income statement.

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

At each reporting date, the Company reviews the carrying value of its property, plant and equipment, which includes fixtures and fittings to determine whether there is any indication that the assets have suffered an impairment loss. If there is an indication that impairment exists, the recoverable amount of the asset is estimated to determine the extent of the impairment.

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

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

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

3.6 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 "Amounts owed by group undertakings" and "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.

Notes to the annual financial statements (continued)

for the year ended 31 December 2018

3 Summary of significant accounting policies (continued)

3.6 Financial instruments (continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities at 'fair value through profit and loss' or 'other' financial liabilities.

Other than derivative 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, allowances for lifetime expected credit losses ("ECL") is recognised for "Trade receivables" and "Contract assets" which result from transactions within the scope of IFRS 15 and which do not contain a significant financing component. As such assets are measured at amortised cost.

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, life time 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.

Derivatives and hedge accounting

The Company enters into derivative financial instruments to manage its exposure to foreign exchange rate fluctuations.

Derivative financial instruments are recognised at fair value. Where derivatives do not qualify for hedge accounting the gain or loss on remeasurement to fair value is recognised immediately in the Income statement. However, where derivatives qualify for hedge accounting, the Company recognises the effective part of any gain or loss on the derivative financial instrument in Other comprehensive income, which is accounted for in the Hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Income statement.

When the hedging relationship ends the hedging gain or loss recognised in Other comprehensive income is reclassified to the Income statement when the hedged item is recognised in the Income statement. When the hedged item relates to a capital expenditure transaction and the hedging relationship ends, the hedging gain or loss recognised in Other comprehensive income is amortised to Property, plant and equipment over the life of the hedged item. Movements in deferred tax relating to the effective portion of changes in fair value of derivatives qualifying for hedge accounting are recognised in Other comprehensive income and accumulated in the Hedging reserve.

Fair values are obtained from quoted market prices in active markets, or by using valuation techniques, including recent market transactions, where an active market does not exist. Valuation techniques include discounted cash flow models and option pricing models as appropriate. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Notes to the annual financial statements (continued)

for the year ended 31 December 2018

3 Summary of significant accounting policies (continued)

3.6 Financial instruments (continued)

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

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Transfers between levels of the fair value hierarchy are recognised at the end of the reporting year during which the change occurred.

3.7 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 allocates resources to other group undertakings.

3.8 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.

3.9 Retirement benefit obligations

The Company provides defined benefit and defined contribution schemes on behalf of directors and staff. The defined benefit scheme is funded by contributions partly from the employees and partly from the Company at rates assessed by an independent actuary. These contributions are invested separately from the Company's assets.

The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual year to the net defined benefit liability.

Notes to the annual financial statements (continued)

for the year ended 31 December 2018

3 Summary of significant accounting policies (continued)

3.9 Retirement benefit obligations (continued)

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in Other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in the Income statement.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The defined benefit liability recognised in the Statement of financial position represents the fair value of plan assets less present value of defined benefit obligations adjusted for unrecognised past service costs.

Any net defined benefit surplus is limited to unrecognised past service costs plus the present value of available refunds and reductions in future contributions to the plan.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

3.10 Inventories

Inventories are stated at the lower of cost and net realisable value.

3.11 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The provision is recognised as the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of these cash flows.

3.12 Use of judgements, estimates and assumptions

In the application of the Company's accounting policies, the Directors 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.

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

In making the assessment of the valuation of the defined benefit pension obligation, management have made a number of assumptions, based on advice from an independent actuary, which are more fully described in note 26.3.

Other than in respect of the defined pension obligation, there are no key assumptions concerning the future, or other key sources of estimation uncertainty in the reporting year that may have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Notes to the annual financial statements (continued)

for the year ended 31 December 2018

4 Implementation of new IFRS Standards

The following standards were implemented with effect from 1 January 2018:

4.1 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 financial assets in the scope of IFRS 9 are the Company's “Trade and other receivables,” “Cash and cash equivalents” and “Amounts owed by group undertakings.”

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 be subject to more frequent revision.

The Company applies the simplified approach to recognise lifetime ECL for trade receivables and contract assets. Otherwise 12 month ECL is carried for other financial assets carried at amortised cost unless the credit has significantly deteriorated since initial recognition of the financial asset.

Having considered the credit exposure and requirements of IFRS 9, the Company considers that no ECL allowance is required on implementation of the standard, nor during 2018.

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.

4.2 IFRS 15 – Revenue from contracts with customers

IFRS 15 is effective for the accounting periods beginning on or after 1 January 2018. IFRS 15 has had no impact on the recognition and measurement of revenue and therefore no adjustments are required.

IFRS 15 establishes a single comprehensive model in accounting for revenue arising from contracts with customers which are recognised when a performance obligation is satisfied. It replaces existing revenue recognition guidance, including IAS 18 “Revenue”.

Except for new disclosures set out in note 5, the new standard has no material impact on the Company.

Notes to the annual financial statements (continued)

for the year ended 31 December 2018

5 Revenue from contracts with customers

5.1 Revenue Information

The Company generates revenue primarily from the provision of maintenance services. Total income can be analysed as follows:

	2018 £'000	2017 £'000
Revenue from contracts with customers - Maintenance income	57,449	70,264
Service fee income	20,052	18,890
Other income	4,251	1,728
	81,752	90,882

Maintenance income from contracts with customers arises wholly in the UK and is recognised as services are provided over time. Revenue (and the terms of payments by customers) is determined by reference to transaction prices within formal contracts between the Company and its customers which are adjusted periodically by reference to pricing indices.

Service fee income and Other income relate to the provision in the UK of asset management and consultancy services to Group and external customers respectively. Revenue is recognised over time as services are provided (when the customers receive the benefit), as determined by reference to transaction prices agreed with customers. There are no contract balances or trade receivables held in relation to this activity. The transaction price allocated to (partially) unsatisfied performance obligations at 31 December 2018 is set out below. As permitted under the transitional provisions in IFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2017 is not disclosed.

There are no outstanding performance obligations in relation to Group customers.

Performance obligations expected to be fulfilled in relation to external customers:

	2018 £000's
Within 1 year	2,842
1-2 years	2,932
2-5 years	9,797
> 5 years	35,186

5.2 Contract Balances

Contract assets, contract liabilities and trade receivables are as follows:

	2018 £'000	2017 £'000
Contract assets	16,363	30,093
Contract liabilities	24,219	24,390
Trade receivables	744	728

Current year movements on these amounts can be attributed to normal business activity (i.e. the recognition of revenue; maintenance expenditure incurred and which will be recovered in future; amounts invoiced; and consideration for services received in advance of performing the maintenance activity).

In previous periods, contract assets and contract liabilities were described as "prepaid maintenance" and "deferred income" respectively. Descriptions in the Statement of financial position have been updated accordingly.

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

5 Revenue from contracts with customers (continued)

5.2 Contract Balances (continued)

The contract assets relate to the Company's rights to consideration for services provided but not billed at the reporting date. The contract assets are reduced as the customer is billed for services in accordance with the contracted billing profile and any necessary performance obligation are satisfied.

The contract liabilities relate to consideration received from customers for maintenance of rolling stock in advance of related services being provided.

Maintenance revenue is recognised over time, when control of the service is transferred to the customer. This is measured by reference to consideration specified in the contract with a customer and maintenance expenditure incurred (i.e. applying an input method, regarded by the Company as being representative of work performed and therefore performance obligations being satisfied). Contract liabilities are expected to be recognised as revenue over the course of contracts (which are typically 10 years or less), as expenditure is incurred.

The amount of £23,389,933 recognised in contract liabilities at the beginning of the year has been recognised as revenue for the year ended 31 December 2018.

The transaction price allocated to (partially) unsatisfied performance obligations at 31 December 2018 is set out below. As permitted under the transitional provisions in IFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of 31 December 2017 is not disclosed.

As maintenance expenditure is incurred, the Company expects that these performance obligations will be satisfied in the following years:

	2018 £'000
Within 1 year	35,282
1-5 years	61,640
	<u>96,922</u>

6 Cost of sales

	2018 £'000	2017 £'000
Maintenance cost	<u>41,908</u>	<u>49,071</u>

7 Finance income

	2018 £'000	2017 £'000
Bank interest	2,190	760
Interest receivable on intercompany loan accounts	51,070	42,609
Interest receivable on term loan to Eversholt Rail Leasing Limited	64,171	66,517
	<u>117,431</u>	<u>109,886</u>

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

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

8 Finance expense

	2018 £'000	2017 £'000
Interest expense payable to Eversholt Funding plc	(114,228)	(105,060)
Finance charges	-	(26)
Fees payable	(1,681)	(2,190)
	<u>(115,909)</u>	<u>(107,276)</u>

Finance expenses represent interest charged in relation to financial liabilities carried at amortised cost.

9 Administrative expense

Administrative expense includes the following:

	2018 £'000	2017 £'000
Foreign exchange gain/(loss)	1	(27)
Depreciation – Fixtures, fittings and equipment	(345)	(315)
Inventory charge	(206)	(206)
Defined contribution pension costs	(756)	(735)
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	(125)	(91)
Fees payable to the Company's auditor for other services		
- For non-audit assurance services	-	(54)

10 Staff numbers and costs

The average number of persons employed by the Company, including Directors, during the year was as follows:

	2018	2017
Directors	3	3
Operations	63	64
Administration	50	43
	<u>116</u>	<u>110</u>

The aggregate payroll costs of these persons were as follows:

	2018 £'000	2017 £'000
Wages and salaries	(11,474)	(10,433)
Social security costs	(1,430)	(1,333)
Contributions to defined contribution pension scheme	(756)	(735)
Defined benefit pension scheme service cost	(359)	(412)
	<u>(14,019)</u>	<u>(12,913)</u>

11 Directors' emoluments

	2018 £'000	2017 £'000
Directors' emoluments for services to the Company	(2,095)	(1,955)
Number of Directors who are active members of a defined benefit pension scheme	1	1

The emoluments of the highest paid Director, including benefits in kind were £983,531 (2017: £923,928).

Notes to the annual financial statements (continued)

for the year ended 31 December 2018

11 Directors' emoluments (continued)

The pension contributions paid by the Company in respect of the highest paid Director for the year were £nil (2017: £nil).

None of the Directors has any share options or interests in the share capital of the Company. The Directors are the only key management personnel.

12 Income tax charge

	<i>Note</i>	2018 £'000	2017 £'000
Current tax			
UK Corporation tax on current year profit		(4,017)	(4,581)
Adjustment in respect of prior years		<u>(315)</u>	<u>(13,057)</u>
		(4,332)	(17,638)
Deferred tax			
Origination and reversal of temporary differences	23	127	160
Change in tax rates		(13)	(18)
Adjustment in respect of prior year	23	<u>-</u>	<u>(9)</u>
		114	133
Income tax charge		<u>(4,218)</u>	<u>(17,505)</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.

The deferred tax as at 31 December 2018 has been calculated based on the rate of 17% substantively enacted at the reporting date. The effect of the change in the rate to 17% is included in the financial statements.

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

	2018 £'000	2017 £'000
Profit before tax	<u>20,351</u>	<u>22,771</u>
Taxation at UK corporation tax rate of 19% (2017: 19.25%)	(3,867)	(4,383)
Amounts not deductible for tax purposes	(22)	(37)
Adjustment in respect of prior years	(316)	(13,067)
Change in tax rates	<u>(13)</u>	<u>(18)</u>
Income tax charge	<u>(4,218)</u>	<u>(17,505)</u>

In addition to the amount charged to the Income statement, the aggregate amount of current and deferred tax relating to components of other comprehensive income resulted in a £75,090 decrease in total comprehensive income (2017: £442,812 decrease).

13 Dividends

For the year ended 31 December 2018 dividends of £nil were paid (2017: £20,000,000).

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

14 Property, plant and equipment

	Fixtures and fittings £'000	Equipment £'000	Total £'000
Cost			
Balance at 1 January 2017	1,254	2,152	3,406
Additions	-	175	175
Acquisition from other group undertakings	53	14	67
Balance at 31 December 2017	1,307	2,341	3,648
Additions	-	203	203
Disposal	-	(462)	(462)
Balance at 31 December 2018	1,307	2,082	3,389
Depreciation			
Balance at 1 January 2017	1,217	1,334	2,551
Charge for the year	42	273	315
Balance at 31 December 2017	1,259	1,607	2,866
Charge for the year	29	316	345
Disposal	-	(452)	(452)
Balance at 31 December 2018	1,288	1,471	2,759
Carrying value at 31 December 2018	19	611	630
Carrying value at 31 December 2017	48	734	782

All assets have been pledged to secure borrowings of the Security group. The Company is not permitted to pledge these assets as security for other borrowings and is restricted over the use of proceeds of sale.

15 Inventory

	2018 £'000	2017 £'000
Rolling stock spares	736	942

Write down in the value of inventories recognised within administrative expenses in the Income statement is an expense amounting to £206,382 (2017: £206,382). Stock is measured at the lower of cost and net realisable value.

All assets have been pledged to secure borrowings of the Security Group. The Company is not permitted to pledge these assets as security for other borrowings and is restricted over the use of proceeds of sale.

16 Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	744	728
Other receivables	3,224	12
Overheads prepayment	534	683
Contract assets	16,363	30,093
	20,865	31,516

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

17 Amounts owed by group undertakings

	2018 £'000	2017 £'000
Current		
Term lending to Eversholt Rail Leasing Limited	<u>57,039</u>	<u>54,588</u>
Non-current		
European Rail Finance Holdings Limited	-	2,400
Eversholt Finance Holdings Limited	22	18
European Rail Finance (2) Limited	21,166	51,003
Eversholt Funding plc	32,401	30,159
Eversholt Investment Limited	57,939	57,222
Eversholt Depot Finance Limited	8,139	10,717
Eversholt Rail Leasing Limited	865,093	706,978
Eversholt UK Rails (Holding) Limited	2,328	2,243
Term lending to Eversholt Rail Leasing Limited	<u>1,381,791</u>	<u>1,438,830</u>
	<u>2,368,879</u>	<u>2,299,570</u>

The term loan with Eversholt Rail Leasing Limited is repayable on or before 1 April 2036 with capital and interest payable on a monthly basis. Interest is charged at a fixed rate plus margin.

The intercompany loans with other entities are classified as non-current as they are repayable on 4 November 2023. Borrowing entities may prepay and redraw loans until the repayment date. Interest on the loans are receivable 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).

18 Cash and cash deposits

Cash and cash deposits are analysed as:

	2018 £'000	2017 £'000
Cash	71,095	6,368
Cash demand deposits	<u>70,000</u>	<u>80,000</u>
Cash and cash equivalents	141,095	86,368
Short-term bank deposits	<u>30,000</u>	<u>250,000</u>
Cash and cash deposits	171,095	336,368

Short-term bank deposits have maturity of between three and twelve months.

19 Trade and other payables

	2018 £'000	2017 £'000
Trade payables	4,084	4,477
Other payables	3,034	7,463
Maintenance and administrative accruals	11,980	14,084
Amounts payable to Eversholt UK Rails Limited	-	10
	<u>19,098</u>	<u>26,034</u>

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

20 Borrowings

	2018 £'000	2017 £'000
Current		
Intercompany internal accrued interest	<u>21,266</u>	<u>21,151</u>
Non-Current		
European Rail Finance Limited	69,620	559,064
Eversholt Funding plc	1,940,000	1,940,000
Eversholt Rail (365) Limited	7,474	13,695
European Rail Finance Holdings Limited	<u>373,688</u>	<u>-</u>
	<u>2,390,782</u>	<u>2,512,759</u>

During the year the loan of £2, as at 31 December 2017, with Eversholt Rail (380) Limited was repaid.

The loans with European Rail Finance Limited and European Rail Finance Holdings Limited are repayable on 4 November 2023. The Company may prepay and redraw its loan until the repayment date, interest is payable monthly at LIBOR, less margin. (2017: LIBOR, less margin).

The loan with Eversholt Funding plc mirrors the terms of the Group's senior debt.

The loan with Eversholt Rail (365) Limited is unsecured and is repayable on 4 November 2023. The loan is interest free.

The Eversholt UK Rails (Holding) Limited (Security Group) ("Security Group") has granted a fixed and floating charge over all of its assets to secure the borrowings of the Security Group. The Company is not permitted to pledge these assets as security for other borrowings and is restricted over the use of proceeds of sale.

Maturity of borrowings

The maturity profile of the carrying amount of Company's non-current borrowings at 31 December 2018 was as follows:

	2018 £'000	2017 £'000
In more than one year but not more than two years	300,000	-
In more than two years but not more than five years	522,211	915,616
In more than five years	<u>1,568,571</u>	<u>1,597,143</u>
	<u>2,390,782</u>	<u>2,512,759</u>

21 Reconciliation of assets and liabilities arising from financing activities

	As at 31 December 2017 £'000	Non-cash finance (income)/ expense £'000	Cash Flows (payments)/ receipts £'000	As at 31 December 2018 £'000
Financing activities attributable to:				
Assets				
Intercompany term lending	(1,493,418)	(64,171)	118,759	(1,438,830)
Loans receivable	<u>(860,740)</u>	<u>(51,070)</u>	<u>(75,278)</u>	<u>(987,088)</u>
	<u>(2,354,158)</u>	<u>(115,241)</u>	<u>43,481</u>	<u>(2,425,918)</u>
Liabilities				
Long-term borrowings	<u>2,512,759</u>	<u>114,228</u>	<u>(236,205)</u>	<u>2,390,782</u>

Notes to the annual financial statements (continued)

for the year ended 31 December 2018

22 Provisions

	2018 £'000	2017 £'000
Overheads	35	35

Provision for overheads relates to dilapidations on office buildings. All provisions are expected to be utilised within 12 months.

	2018 £'000	2017 £'000
Balance at beginning of the year	35	35
Additions	-	-
Utilised	-	-
Balance at end of the year	35	35

23 Deferred tax

Deferred tax assets and liabilities are offset where the relevant criteria are met (see note 3.4). Deferred tax balances are as follows:

	Group 2018 £'000	2017 £'000
Deferred tax assets	1,416	1,377

The following are the major deferred tax assets and liabilities recognised by the Company and movements thereon during the current and prior reporting year:

	Capital Allowances £000's	Provision £000's	Fair value on derivatives £000's	Retirement benefit obligations £000's	Prior year adjustments £000's	Total £000's
At 1 January 2017	113	531	26	1,015	-	1,685
Credit/(charge) to Income Statement	4	88	-	68	(9)	151
Charge to other comprehensive income	-	-	(26)	(466)	-	(492)
Effect of change in tax rate:						
- Income Statement	-	(9)	-	(7)	-	(16)
- Other comprehensive income	-	-	-	49	-	49
At 1 January 2018	117	610	-	659	(9)	1,377
Credit to Income Statement	13	65	-	49	-	127
Charge to other comprehensive income	-	-	-	(84)	-	(84)
Effect of change in tax rate:						
- Income Statement	(1)	(7)	-	(5)	-	(13)
- Other comprehensive income	-	-	-	9	-	9
At 31 December 2018	129	668	-	628	(9)	1,416

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 profits 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 as the amount and timing of the reversal of timing differences giving rise to deferred tax liabilities at the balance sheet date.

Notes to the annual financial statements (continued)

for the year ended 31 December 2018

24 Derivative financial instruments

In 2016 the Group entered into foreign exchange forward contracts to hedge the variability in functional currency equivalent cash flows associated with committed Euro denominated maintenance expenditure. On inception contracts were designated in hedge accounting relationships. These contracts matured in 2017.

Movement in fair value of Derivative financial instruments

	2018 £'000	2017 £'000
Balance at 1 January	-	(153)
Unrealised gain through other comprehensive income	-	153
Balance at 31 December	-	-

Movement in Hedging reserve

	2018 £'000	2017 £'000
Balance at 1 January	-	127
Unrealised loss through other comprehensive income	-	(153)
Income tax credit on other comprehensive income	-	26
Balance at 31 December	-	-

25 Share capital

	2018 £'000	2017 £'000
Authorised, allotted, called up and fully paid		
100,000,002 Ordinary shares of £1 each	100,000	100,000

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

26 Retirement benefit obligations**26.1 General description of scheme****Final salary pension**

The Company provides a defined benefit pension scheme to some employees. Eversholt Rail Limited Section (the "Section") is part of the Railways Pension Scheme, but its assets and liabilities are identified separately from the remainder of the Scheme. The Section is governed by a trustee board, which is independent of the Company.

The Section is a shared cost arrangement whereby the Company is only responsible for a share of the cost. The figures reported below therefore represent only the Company's share of the cost, except that the tables reconciling the Section liabilities and assets from the start to the end of the year are presented before the deduction of the Members' share of the defined benefit cost, or the surplus or deficit. This is for simplicity of presentation and for consistency, with the liabilities and assets quoted in the table showing the pension scheme liability or asset at the end of the year.

Employer contributions were 19.10% of Section pay for the period to 30 June 2018 and 19.60% for the six months to 31 December 2018 of Section Pay (2017: 19.1% for the year).

The Section is open to new members transferring in from other sections of the Railways Pension Scheme.

The Company is exposed to a number of risks relating to the Section including assumptions not being borne out in practice. The most significant risks are as follows:

Notes to the annual financial statements (continued)

for the year ended 31 December 2018

26 Retirement benefit obligations (continued)

26.1 General description of scheme (continued)

Final salary pension (continued)

- **Asset volatility:** There is the risk that a fall in asset values is not matched by a corresponding reduction in the value placed on the Section's defined benefit obligation ("DBO"). The Section holds a proportion of growth assets, which are expected to outperform corporate and government bond yields in the long-term but gives exposure to volatility and risk in the short-term.
- **Change in bond yields:** A decrease in corporate bond yields will increase the value placed on the Section's DBO, although this will be partially offset by an increase in the value of the Section's corporate bond holdings.
- **Inflation risk:** The majority of the Section's DBO is linked to inflation where higher inflation will lead to a higher value being placed on the DBO. Some of the Section's assets are either unaffected by inflation or loosely correlated with inflation (e.g. growth assets), meaning that an increase in inflation will generally increase the deficit.
- **Life expectancy:** An increase in life expectancy will lead to an increased value being placed on the Section DBO. Future mortality rates cannot be predicted with certainty.
- **Contribution rate:** The Scheme Rules give the Scheme Actuary the power to set the contribution rates for the Company if no agreement can be reached between the Trustee and the Company.

26.2 Membership data

	31 December 2018	31 December 2017
Active members		
Number	15	17
Number with PRP included	10	11
Annual payroll (£'000)	1,191	1,294
PRP included (£'000)	40	44
Average age	51.2	50.1
Deferred members		
Number	50	50
Total deferred pensions (£'000)	389	360
Average age	53.8	53.1
Pensioner members (including dependants)		
Number	49	49
Estimated annual pension payroll (£'000)	1,220	1,181
Average age	67.2	66.3

26.3 Summary of assumptions

	31 December 2018 %pa	31 December 2017 % pa
Discount rate	2.65	2.50
Price inflation (RPI measure)	3.20	3.20
Increases to deferred pensions (CPI measure)	2.20	2.20
Pension increases (CPI measure)	2.20	2.20
Salary increases *	3.20	3.20

* plus 0.4% pa promotional salary scale.

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

26 Retirement benefit obligations (continued)

26.3 Summary of assumptions (continued)

	Value at 31 December 2018 £'000	Value at 31 December 2017 £'000
Section Assets		
Growth assets	23,724	26,821
Government bonds	11,890	11,491
Non-government bonds	4,530	1,765
Other assets	51	318
	<u>40,195</u>	<u>40,395</u>

The assumed average expectation of life in years at age 65 is as follows:

	31 December 2018	31 December 2017
Male currently age 65	23.0	23.0
Male currently age 45	24.8	24.8
Female currently age 65	23.8	23.7
Female currently age 45	25.6	25.6

26.4 Defined benefit liability at end of year

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Defined benefit liability at end of year		
Active members	8,491	8,388
Deferred members	10,791	11,049
Pensioner members (incl. dependants)	27,064	27,414
Total DBO	46,346	46,851
Value of assets at end of year	(40,195)	(40,395)
Funded Status at end of year	6,151	6,456
Adjustment for the members' share of deficit	(2,460)	(2,582)
Net defined benefit liability at end of the year	<u>3,691</u>	<u>3,874</u>

26.5 Reconciliation of net defined benefit liability

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Opening net defined benefit liability	3,874	5,968
Employer's share of pension expense	454	559
Employer contributions	(196)	(201)
Total gain recognised in Statement of comprehensive income	(441)	(2,452)
Closing net defined benefit liability	<u>3,691</u>	<u>3,874</u>

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

26 Retirement benefit obligations (continued)

26.6 Pension expense

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Employer's share of service cost	321	375
Employer's share of administration costs	38	37
Total employer's share of service cost	359	412
Employer's share of net interest on net defined benefit liability	95	147
Employer's share of pension expense	454	559

26.7 Other comprehensive income

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Loss/(gain) due to liability experience	171	(370)
Gain due to liability assumption changes	(735)	(1,124)
Return on plan assets less/(greater) than discount rate	123	(958)
Total gain recognised in Statement of comprehensive Income	(441)	(2,452)

26.8 Reconciliation of DBO

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Opening defined benefit obligation	46,851	48,922
Service Cost	530	619
Interest Cost on DBO	1,156	1,206
Loss/(gain) on DBO – experience	258	(644)
Gain on DBO – financial assumptions	(1,225)	(1,874)
Actual benefit payments	(1,224)	(1,378)
Closing DBO	46,346	46,851

26.9 Reconciliation of value of assets

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Opening value of Section assets	40,395	38,976
Interest income on assets	997	960
Return on plan assets greater than discount rate	(204)	1,597
Employer contributions	196	201
Employee contributions	98	100
Actual benefit payments	(1,224)	(1,378)
Administration costs	(63)	(61)
Closing value of Section assets	40,195	40,395

Tables 26.8 and 26.9 above show the movement in the assets and liabilities of the Section as a whole. Some of the figures therefore differ from those in the remaining disclosures which reflect the Company's share of the assets and liabilities associated with the Section.

Notes to the annual financial statements (continued)

for the year ended 31 December 2018

26 Retirement benefit obligations (continued)

26.10 DBO sensitivity analysis to significant actuarial assumptions

Year ended 31 December 2018	Sensitivity	Approximate increase in DBO £'000
Discount rate	-0.5% p.a.	4,300
Price inflation (CPI measure)*	+0.5% p.a.	4,200
Salary increases	+0.5% p.a.	300
Life expectancy	+1 year	1,600

* Including consistent increases to RPI, salary growth and RPI/CPI related pension increase assumptions

The sensitivity figures above are as at 31 December 2018 and based on the DBO noted in table 26.4.

The Section is subject to a full funding actuarial valuation on a triennial basis. The funding valuation at 31 December 2016 indicated a funding surplus and so no deficit contributions are currently being paid. Employer contributions for the period to 30 June 2018 were 19.1% of Section Pay. Subsequent employer contributions, for the period to 30 June 2021, are 19.6% of Section pay. Future rates are, however, subject to review pending the finalisation of the formal actuarial valuation as at 31 December 2019.

The discounted mean term of the Section's liabilities is 18 years. Expected employer contributions for 2019 is £200,000.

27 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 3.12.

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.

27.1 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 comprises principally of borrowings from other group undertakings and equity from its immediate parent.

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

27.2 Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its obligations under a contract. The Company's principle credit exposures arise from intercompany loans and trade and other receivables.

The Company manages credit risk by way of established risk management processes encompassing credit approvals and the monitoring and reporting of exposures. Regular reviews are undertaken to assess and evaluate the financial stability of counterparties.

As part of the Company's processes for credit risk management and assessment of ECL, management takes into account the following:

- Historical credit experience of the counterparty;

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

27 Risk management (continued)

27.2 Credit risk management (continued)

- Past, current and future events and circumstances that could impinge upon the counterparty's performance and ability to perform and service its obligations as they fall due and meet its commitments as they arise. This will include assessment of actual and potential external events, as well as the company's internal information;
- The nature of the arrangements with the counterparty and whether there is related collateral/security which can be applied;
- The existence of any parties to which the Company might have recourse in the event of a counterparty default, for example, where a counterparty's activities and related obligations (wholly or partly) might be assumed by a successor; and
- The duration of the exposure under review.

Credit assessments might lead to the counterparty being considered in default or amounts due being written off to the extent not recoverable, taking into account collateral/security/recourse arrangements.

Allowances for ECL are calculated on a lifetime basis, where required for trade receivables and contract assets. In relation to other financial assets, the Company has only limited instances of assets where 12 month ECL allowances might be required. Therefore, the need to consider when there is a significant credit deterioration is only needed in rare situations (for example, debts overdue by more 30 days) and on a case by case basis. Counterparties will be regarded as having low credit risk where an investment grade rating is available.

Credit Risk Exposure

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. The risk management Company has established a credit procedure under which each new customer is analysed individually for creditworthiness, including for example, external ratings, if they are available, financial statements, credit agency information and industry information. The Company limits its exposure to credit risk through contractual documentation. In monitoring customer credit risk, customers are considered on an individual basis (or grouped according to their credit characteristics, including their geographic location, industry, trading history with the Group and existence of previous financial difficulties).

The Company's principal exposure to credit risk as at 31 December 2018 amounts to the balance of Trade and other receivables as disclosed in note 16, Amounts owed by group undertakings as disclosed in note 17 and cash and cash deposits as disclosed in note 18. The carrying amounts of these assets represent the maximum credit exposure.

All such 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.

In particular, substantially all of the trade receivables outstanding at 31 December 2018 have been received subsequent to year end.

In light of the above, the Company has determined that no ECL allowance is required. 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.

27.3 Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Notes to the annual financial statements (continued)

for the year ended 31 December 2018

27 Risk management (continued)

27.3 Liquidity risk management (continued)

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. The Company manages utilisation of the Group's senior debt to fund the activities of other group undertakings and is responsible for day to day cash management for the Group. The Company borrows funds from and lends funds to other group undertakings through intercompany loans. The Group's liquidity is further underpinned 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 financial assets and financial liabilities are analysed below by their contractual due date. Undiscounted cash flows in respect of the intercompany loans with other entities 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.

	Carrying value £'000	Total undiscounted cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
31 December 2018						
Financial assets						
Loans and receivables						
- Loans receivable	987,088	987,088	-	-	987,088	-
- Intercompany term lending Eversholt Rail Leasing Limited	1,438,830	1,438,830	-	57,039	249,047	1,132,744
Trade and other receivables	20,865	20,865	-	20,865	-	-
Cash and cash deposits	171,095	171,095	141,095	30,000	-	-
	<u>2,617,878</u>	<u>2,617,878</u>	<u>141,095</u>	<u>107,904</u>	<u>1,236,135</u>	<u>1,132,744</u>
Financial liabilities						
Trade and other payables	19,098	19,098	-	19,098	-	-
Intercompany loans	450,782	450,782	-	-	450,782	-
Intercompany term lending	1,961,266	3,047,328	-	100,853	717,267	2,229,208
	<u>2,431,146</u>	<u>3,517,208</u>		<u>119,951</u>	<u>1,168,049</u>	<u>2,229,208</u>
Total financial instruments	<u>186,732</u>	<u>(899,330)</u>	<u>141,095</u>	<u>(12,047)</u>	<u>68,086</u>	<u>(1,096,464)</u>
31 December 2017						
Financial assets						
Loans and receivables						
- Loans receivable	860,740	860,740	-	-	860,740	-
- Intercompany term lending Eversholt Rail Leasing Limited	1,493,418	1,493,418	-	54,588	243,801	1,195,029
Trade and other receivables	31,516	31,516	-	31,516	-	-
Cash and cash deposits	336,368	336,368	86,368	250,000	-	-
	<u>2,722,042</u>	<u>2,722,042</u>	<u>86,368</u>	<u>336,104</u>	<u>1,104,541</u>	<u>1,195,029</u>
Financial liabilities						
Trade and other payables	26,034	26,034	-	26,034	-	-
Intercompany loans	572,759	572,759	-	-	572,759	-
Intercompany term lending	1,961,151	2,779,458	-	98,908	610,279	2,070,271
	<u>2,559,944</u>	<u>3,378,251</u>	<u>-</u>	<u>124,942</u>	<u>1,183,038</u>	<u>2,070,271</u>
Total financial instruments	<u>162,098</u>	<u>(656,209)</u>	<u>86,368</u>	<u>211,162</u>	<u>(78,497)</u>	<u>(875,242)</u>

Notes to the annual financial statements (continued)

for the year ended 31 December 2018

27 Risk management (continued)

27.4 Market risk

Interest rate risk management

The Company has exposure to fluctuations in interest rates. Cash flow exposure to fluctuations in interest rates 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 cost of intercompany loans.

Interest rate sensitivity analysis

A 50 basis points increase in LIBOR would have resulted in an increase of £820,000 in interest expense on borrowings from Eversholt Funding plc, an increase in loans receivable interest income of £879,905 and an increase in cash deposit interest received of £1,785,721. The sensitivity analysis is applied to the borrowing/deposit rate and performed on the monthly balance of the relevant financial instrument.

28 Financial Instruments

The intercompany fixed rate term loan from Eversholt Funding Plc represents fixed rate term loans with a carrying value of £1,500m and a fair value estimated to be £1,688m (2017: £1,790m). The basis of this estimate is the market value of the external debt raised by Eversholt Funding plc and lent to the Company on mirror terms. Apart from intercompany term lending and fixed rate borrowings, 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.

The fair values together with the carrying amounts of the financial assets and financial liabilities are as follows:

	Note	Carrying amount		Fair value	
31 December 2018			Level 1	Level 2	Level 3
		£'000	£'000	£'000	£'000
Financial assets					
Loans and receivables					
- Loans receivable	17	987,088			
- Intercompany term lending Eversholt Rail Leasing Limited	17	1,438,830			
Trade and other receivables	16	20,865			
Cash and cash deposits	18	171,095			
Total Financial assets		2,617,878			
Financial liabilities					
Trade and other payables	19	19,098			
Intercompany loans	20	450,782			
Intercompany fixed rate term loan from Eversholt Funding plc	20	1,500,000		1,688,189	
Fixed rate borrowings	20	340,000		343,153	
Other borrowings	20	121,266			
Total Financial liabilities		2,431,146			
Total Financial instruments		186,732			

Notes to the annual financial statements (continued)

for the year ended 31 December 2018

28 Financial Instruments (continued)

The fair values together with the carrying amounts of the financial assets and financial liabilities as at 31 December 2017 are as follows:

31 December 2017	Note	Carrying amount £'000	Fair value Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial assets					
Loans and receivables					
- Loans receivable	17	860,740			
- Intercompany term lending Eversholt Rail Leasing Limited	17	1,493,418			
Trade and other receivables	16	31,516			
Cash and cash deposits	18	336,368			
Total Financial assets		<u>2,722,042</u>			
Financial liabilities					
Trade and other payables	19	26,034			
Intercompany loans	20	572,759			
Intercompany fixed rate term loan from Eversholt Funding plc	20	1,500,000		1,790,147	
Fixed rate borrowings	20	340,000		364,439	
Other borrowings	20	121,151			
Total Financial liabilities		<u>2,559,944</u>			
Total Financial instruments		<u>162,098</u>			

29 Fair value of financial assets and liabilities

There are no other material differences between the carrying value and the fair value of other financial assets and liabilities as at 31 December 2018 (2017: £nil).

30 Operating lease arrangements

The Company has commitments under operating leases in respect of buildings as follows:

The Company as lessee:

	2018 £'000	2017 £'000
Within one year	702	684
2-5 years	2,792	2,750
Over 5 years	930	1,674
	<u>4,424</u>	<u>5,108</u>
Aggregate operating lease rentals paid in the year	<u>684</u>	<u>670</u>

31 Related-party transactions

31.1 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
- European Rail Finance Holdings Limited
- Eversholt Investment Limited
- European Rail Finance Limited
- Eversholt Rail Leasing Limited

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

31 Related-party transactions (continued)

31.1 Identity of related parties (continued)

- Eversholt Rail Holdings (UK) Limited
- Eversholt Finance Holdings Limited
- Eversholt Funding plc
- Eversholt Depot Finance Limited
- Eversholt Rail (365) Limited
- European Rail Finance (2) Limited

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

31.2 Transactions with related parties

The Company has received fees for the provision of consultancy services to other Group companies as follows:

	2018 £'000	2017 £'000
Eversholt Rail Leasing Limited	19,183	17,473
Eversholt Rail (365) Limited	721	716
Eversholt Depot Finance Limited	148	136

The Company has received fees for the provision of maintenance procurement services to other Group companies as follows:

	2018 £'000	2017 £'000
Eversholt Rail Leasing Limited	62,568	68,729
Eversholt Rail (365) Limited	8,440	10,970

Loan accounts are more fully described in notes 17 and 20. Interest receivable/(payable) on these loan accounts is included in notes 7 and 8. Further breakdown of the interest receivable on intercompany loans is as follows:

	2018 £'000	2017 £'000
Eversholt Funding plc	1,918	2,695
Eversholt Rail Holdings (UK) Limited	-	2,362
Eversholt Rail Depot Finance Limited	595	732
Eversholt Rail Leasing Limited	44,628	29,219
European Rail Finance Limited	(2,852)	(737)
European Rail Finance Holdings Limited	136	162
European Rail Finance Holdings Limited	(224)	-
Eversholt Investment Limited	2,951	4,626
Eversholt Rail Finance (2) Limited	3,681	2,948
Eversholt Rail (365) Limited	111	-
Eversholt Finance Holdings Limited	1	1
Eversholt UK Rails (Holding) Limited	125	602

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

31 Related-party transactions (continued)

31.2 Transactions with related parties (continued)

Dividends paid are fully described in note 13.

The Company paid £15,000 to Eversholt Funding plc for funding services (2017: £15,000), £120,000 to Eversholt UK Rails Limited for consultancy services (2017: £10,000) and £60,000 to Eversholt UK Rails (Holding) Limited for consultancy services (2017: £nil).

The Company was recharged costs of £390,095, (2017: £118,548) by Eversholt Funding plc.

In addition, in 2017 the Company paid Eversholt Investment Limited a service fee of £87,965 and a management fee of £833.

31.3 Remuneration of key management personnel

	2018 £'000	2017 £'000
Short-term employment benefits	1,689	1,635
Other long-term employee benefits	406	320
	<u>2,095</u>	<u>1,955</u>

32 Contingent liabilities

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

33 Subsequent events

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