

Eversholt UK Rails (Holding) Limited

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

Registered No: 10783654

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

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Strategic report

for the year ended 31 December 2018

Business review

Eversholt UK Rails (Holding) Limited (the "Company") is an investment holding company incorporated on 22 May 2017. The Company forms part of the Eversholt UK Rails Group ("Group") more fully described in note 19.

The comparative information presented in these financial statements represents the period from incorporation to 31 December 2017.

In the year, the Company generated a profit of £40,012,000 (2017: £43,514,000). As at 31 December 2018 the Company had net assets of £764,382,000 (2017: £764,470,000).

As part of a group reorganisation the Company was party to a number of transactions during 2017, the effects of which were to make the Company the parent company of the Group of companies bound by the terms of the Financing Documents entered into by certain of the Company's subsidiaries on 4 November 2010 and which the Company acceded to on 28 June 2017. These transactions included:

- the acquisition by the Company of 100% of the share capital in Eversholt Investment Limited ("EIL") from the Company's parent Eversholt UK Rails Limited (the "Parent"), funded by the issue of share capital by the Company to the Parent and loans from the Parent to the Company.
- a capital reduction by the Company, resulting in an increase in reserves of £763,997,042.

During the year and up to the date of signing the financial statements, the Company continued to be an investment holding company and is funded principally by its immediate parent company through borrowings and equity.

Risk management

The Company is subject to the risk management objectives and policies of the Group. The risks relevant to the Company, together with an analysis of the exposure to such risks, are set out in note 17 of the financial statements.

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

Financial performance

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

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

Business environment

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

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
LDC Securitisation Director No.3 Limited

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

Future developments

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

Dividends

The Directors declared and paid a dividend of £40,100,000 on 11 December 2018 (2017: £43,040,992).

Going concern basis

The financial statements are prepared on a going concern basis, because the Directors are satisfied that the Company, through the support of the Group and expected future dividend receipts from subsidiaries, has the resources 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.

Auditor

Pursuant to Section 487 of the Companies Act 2006, Deloitte LLP was appointed the Auditor.

Approved by the Board and signed on its behalf by:

M B Kenny
Director



Registered Office
210 Pentonville Road
London
N1 9JY
United Kingdom

15 February 2019

Statement of Directors' responsibilities

for the year ended 31 December 2018

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

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

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

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

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

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

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



M B Kenny
Director

Registered Office
210 Pentonville Road
London
N1 9JY
United Kingdom

Independent Auditor's report to the Members of Eversholt UK Rails (Holding) 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 Eversholt UK Rails (Holding) Limited (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 21.

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

Basis for opinion

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

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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 UK Rails (Holding) 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.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. 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.

Independent Auditor's report to the Members of Eversholt UK Rails (Holding) Limited (continued)

for the year ended 31 December 2018

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

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

15th February 2019

Eversholt UK Rails (Holding) Limited

Income statement

for the year ended 31 December 2018

	<i>Note</i>	2018 £'000	2017 £'000
Dividend income	5	40,100	44,000
Service fee income		60	-
Finance income	6	47,891	25,586
Finance expense	7	(48,016)	(26,188)
Administrative expense	8,9	(44)	-
Profit before tax		39,991	43,398
Income tax credit	10	21	116
Profit for the financial year/period		40,012	43,514

There were no discontinued or discontinuing operations during the year (2017: period).

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

Statement of comprehensive income

for the year ended 31 December 2018

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

Statement of financial position

as at 31 December 2018

	<i>Note</i>	2018 £'000	2017 £'000
Assets			
Non-current assets			
Investment in subsidiaries	11	<u>763,997</u>	<u>763,997</u>
Current assets			
Current tax		137	116
Amounts owed by group undertakings	12	340,562	340,562
Cash and cash equivalents	14	<u>2,600</u>	<u>2,600</u>
		<u>343,299</u>	<u>343,278</u>
Total assets		<u>1,107,296</u>	<u>1,107,275</u>
Liabilities and equity			
Current Liabilities			
Trade and other payables	15	<u>24</u>	<u>-</u>
Non-current liabilities			
Amounts owed to group undertakings	12	<u>342,890</u>	<u>342,805</u>
Total liabilities		<u>342,914</u>	<u>342,805</u>
Equity			
Share capital	16	-	-
Retained earnings		<u>764,382</u>	<u>764,470</u>
Total equity		<u>764,382</u>	<u>764,470</u>
Total equity and liabilities		<u>1,107,296</u>	<u>1,107,275</u>

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

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



A J Wesson
Director

Company registration number 10783654

Statement of cash flows

for the year ended 31 December 2018

	<i>Note</i>	2018 £'000	2017 £'000
Cash flow from operating activities			
Profit before tax		39,991	43,398
Adjustments for:			
- Dividend income	5	(40,100)	(44,000)
- Finance income	6	(47,891)	(25,586)
- Finance expense	7	48,016	26,188
Operating cash flow before changes in working capital		16	-
Increase in trade payables		24	-
Net cash generated by operating activities		40	-
 Cash flow from investing activities			
Dividends received	5	40,100	44,000
Net cash generated by investing activities		40,100	44,000
 Cash flow from financing activities			
Movement in intercompany loan with Eversholt Rail Limited	13	(40)	2,243
Finance income received	13	47,891	25,586
Finance expense paid	13	(47,891)	(26,188)
Shareholder dividends paid	5	(40,100)	(43,041)
Net cash utilised in financing activities		(40,140)	(41,400)
 Net movement in cash and cash equivalents		-	2,600
Cash and cash equivalents at beginning of the year		2,600	-
Cash and cash equivalents at end of the year	14	2,600	2,600

Statement of changes in equity

for the year ended 31 December 2018

		Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 22 May 2017	16	-	-	-	-
Total comprehensive income		-	-	43,514	43,514
Issuance of shares		-	763,997	-	763,997
Capital reduction		-	(763,997)	763,997	-
Dividends paid		-	-	(43,041)	(43,041)
Balance at 31 December 2017		-	-	764,470	764,470
Total comprehensive income		-	-	40,012	40,012
Dividends paid		-	-	(40,100)	(40,100)
Balance at 31 December 2018		-	-	764,382	764,382

Dividends per share paid during the year is £393,137 (2017: £421,971).

Notes to the financial statements

for the year ended 31 December 2018

1. General Information

Eversholt UK Rails (Holding) Limited is a private company incorporated on 22 May 2017 in England and Wales and is limited by shares (see note 16). 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, unless otherwise stated. The comparative information presented in these financial statements represents the period from incorporation to 31 December 2017.

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

2.1 Compliance with IFRSs

The financial statements of Eversholt UK Rails (Holding) Limited have been prepared on the historical cost basis. These financial statements have been prepared in accordance with IFRSs as issued by the IASB and as endorsed by the European Union. EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at this point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2018, there were no unendorsed standards effective for the year ended 31 December 2018 affecting these financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company. Accordingly, the financial statements of the Company for the year ended 31 December 2018 are prepared in accordance with IFRSs as issued by the IASB and endorsed by the EU.

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

2.2 Standards and interpretations issued by the IASB

During the year, the Company adopted a number of interpretations and amendments to standards which had no material effect on the financial statements.

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

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

2.3 Going concern

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

Notes to the financial statements (continued)

for the year ended 31 December 2018

3. Summary of significant accounting policies

The principal accounting policies adopted are set out below and have been applied consistently to all years presented in these financial statements, except where noted in relation to standards implemented for the first time in 2018.

3.1 Finance income and expense

Finance income and expense for all interest bearing financial instruments is recognised in 'Finance income' and 'Finance expense' in the Income statement using the effective interest rate method. The effective interest method is a way of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest 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 liability on initial recognition. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses.

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

3.2 Income tax

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

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

3.3 Dividend income

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

3.4 Subsidiaries

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

3.5 Financial instruments

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

Loan receivable

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

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

3. Summary of significant accounting policies (continued)

3.5 Financial instruments (continued)

Classification and measurement (continued)

Loan receivable (continued)

It is derecognised when either borrowers repay their obligations, or the loan is 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.

Financial liabilities

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

Impairment of financial assets

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

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

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

Determination of fair value

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

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

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

3.6 Statement of cash flows

The Statement of cash flows has been prepared on the basis that, with the exception of tax related transactions which are classified under 'Operating activities', movements in intercompany balances are shown under the heading of 'Financing activities'. Such movements arise ultimately from the Company's financing activities, through which the Company will acquire resources intended to generate future income and cash flows.

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

3. Summary of significant accounting policies (continued)

3.7 Share capital

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

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

3.8 Use of assumptions and estimates

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

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

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

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

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

Investment in subsidiaries

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

4. Implementation of new IFRS Standards

IFRS 9 – Financial Instruments

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

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

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

Classification and measurement

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

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

Notes to the financial statements (continued)

for the year ended 31 December 2018

4. Implementation of new IFRS Standards (continued)

IFRS 9 – Financial Instruments (continued)

The only financial assets in the scope of IFRS 9 are the Company's "amounts due from other group undertakings" and "cash and cash equivalents".

Impairment

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

Disclosure

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

5. Dividends

The Company received £40,100,000 (2017: £44,000,000) dividend income from Eversholt Investment Limited.

The Company paid a dividend of £40,100,000 (2017: £43,040,992) to Eversholt UK Rails Limited during the year.

6. Finance income

	2018 £'000	2017 £'000
Interest receivable from Eversholt Investment Limited	47,891	25,586

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

7. Finance expense

	2018 £'000	2017 £'000
Interest payable to Eversholt Rail Limited	(125)	(602)
Interest payable to Eversholt UK Rails Limited	(47,891)	(25,586)
	<u>(48,016)</u>	<u>(26,188)</u>

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

8. Administrative expense

	2018 £'000	2017 £'000
--	---------------	---------------

Administrative expense includes the following:

Fees payable to the Company's auditor for the audit of the Company's annual financial statements

(31) -

2017 audit fees of £5,145 were borne by another group entity. The Company has no employees and hence no staff costs.

9. Directors' emoluments

Non-executive directors

	2018 £'000	2017 £'000
Directors' fees	(13)	-

The charge for LDC Securitisation Director No. 3 Limited has been borne by the Company and is included in administrative expense. The other directors have been paid by another group undertaking, Eversholt Rail Limited. No specific charge has been made to the Company in this regard.

Notes to the financial statements (continued)

for the year ended 31 December 2018

10. Income tax credit

	2018 £'000	2017 £'000
Current tax		
UK Corporation tax on current year/period profit	21	116
Income tax credit	<u>21</u>	<u>116</u>

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

	2018 £'000	2017 £'000
Profit before tax	39,991	43,398
Taxation at corporation tax rate of 19% (2017: 19.25%)	(7,598)	(8,354)
Non-taxable income	7,619	8,470
Income tax credit	<u>21</u>	<u>116</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.

11. Investment in subsidiaries

	2018 £'000	2017 £'000
Investment in Eversholt Investment Limited at cost	<u>763,997</u>	<u>763,997</u>

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

Name of Undertaking	Class of Capital	Country of Incorporation	Type of business	Ownership Percentage	
				2018	2017
Eversholt Investment Limited	Ordinary Shares	Ireland**	Investment	100	100
European Rail Finance Holdings Limited*	Ordinary Shares	Ireland**	Investment	100	100
European Rail Finance Limited*	Ordinary Shares	Ireland**	Leasing	100	100
Eversholt Rail Leasing Limited*	Ordinary Shares	England***	Leasing	100	100
Eversholt Rail Holdings (UK) Limited*	Ordinary Shares	England***	Investment	100	100
Eversholt Rail Limited*	Ordinary Shares	England***	Management services	100	100
Eversholt Depot Finance Limited*	Ordinary Shares	England***	Leasing	100	100
Eversholt Rail (365) Limited*	Ordinary Shares	England***	Leasing	100	100
Eversholt Finance Holdings Limited*	Ordinary Shares	England***	Investment	100	100
Eversholt Funding plc*	Ordinary Shares	England***	Financing	100	100
European Rail Finance (2) Limited*	Ordinary Shares	Ireland**	Investment	100	100

* Indirect subsidiaries

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

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

Notes to the financial statements (continued)

for the year ended 31 December 2018

12. Amounts owed by/to group undertakings

	2018 £'000	2017 £'000
Current assets		
Eversholt Investment Limited	<u>340,562</u>	<u>340,562</u>

The Company and Eversholt Investment Limited ("EIL") are members of the Security Group. All members of the Security Group are jointly and severally liable for the obligations of each member of the Security Group under the Financing Documents. The intragroup loan between the Company and EIL is repayable on demand. As both the Company and EIL are members of the Security Group, such a payment is permitted under the terms of the Financing Documents. However, the terms of the Financing Documents would restrict the Company's use of the proceeds.

	2018 £'000	2017 £'000
Non-current liabilities		
Eversholt Rail Limited	2,328	2,243
Eversholt UK Rails Limited	<u>340,562</u>	<u>340,562</u>
	<u>342,890</u>	<u>342,805</u>

The activities of the Security Group are, in part, funded through a subordinated loan agreement between Eversholt UK Rails Limited (as lender) and the Company (as borrower). Eversholt UK Rails Limited's rights under this subordinated loan agreement (including its right to repayment) are subject to the terms of the Finance Documents. This loan is unsecured and carries a fixed rate of interest.

The intercompany loan from Eversholt Rail Limited is classified as non-current as it is repayable on 4 November 2023. Borrowing entities may prepay and redraw loans until the repayment date. Interest on the loan is payable monthly at a floating rate, which substantially matches the rate of the Group's Senior Debt, plus margin.

13. Reconciliation of assets and liabilities arising from financing activities

	As at 31 December 2017	Non-cash finance (income)/ expense	Cash flows receipts/ (payments)	As at 31 December 2018
Financing activities attributable to:	£'000	£'000	£'000	£'000
Assets				
Eversholt Investment Limited	<u>340,562</u>	<u>(47,891)</u>	<u>47,891</u>	<u>340,562</u>
Liabilities				
Eversholt Rail Limited	2,243	125	(40)	2,328
Eversholt UK Rails Limited	<u>340,562</u>	<u>47,891</u>	<u>(47,891)</u>	<u>340,562</u>
	<u>342,805</u>	<u>48,016</u>	<u>(47,931)</u>	<u>342,890</u>

14. Cash and cash equivalents

Cash and cash equivalents are analysed as:

	2018 £'000	2017 £'000
Bank accounts	<u>2,600</u>	<u>2,600</u>

Cash and cash equivalents comprise a deposit of £2,600,000 which is restricted as it provides security for the Profit Participating Shares issued by a subsidiary.

Notes to the financial statements (continued)

for the year ended 31 December 2018

15. Trade and other payables

	2018 £'000	2017 £'000
Accruals	24	-

16. Share capital

	2018 £	2017 £
Authorised, called up and fully paid		
102 Ordinary shares of £1 each	102	102

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

The Company was incorporated on 22 May 2017 by the issue of £100 share capital. In 2017, the Company acquired 100% of the share capital in EIL from Eversholt UK Rails Limited for the issue of £2 share capital and £763,997,042 of share premium. The Company then undertook a capital reduction of share premium through creation of distributable reserves.

17. Risk management

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

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

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

Capital risk management

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

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

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

Credit risk management

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

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

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

Notes to the financial statements (continued)

for the year ended 31 December 2018

17. Risk management (continued)**Credit risk management (continued)**

The carrying value of the financial assets represent the Company's maximum credit exposure to the borrower.

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

Investment in subsidiaries

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

Market risk management

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

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

Interest rate Sensitivity Analysis

A 50 basis points increase in LIBOR would have resulted in an increase in intercompany interest expense of £9,562. The sensitivity analysis is applied to the borrowing rate and performed on the monthly balance of the relevant financial instrument

Liquidity risk management

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

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

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

	Carrying value £'000	Contractual cash flows £'000	On demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
31 December 2018						
Financial assets						
- Loan receivable from Eversholt Investment Limited	340,562	340,562	340,562	-	-	-
- Cash and cash equivalents	2,600	2,600	-	-	-	2,600
	343,162	343,162	340,562	-	-	2,600
Financial liabilities						
- Intercompany loan	2,328	2,328	-	-	2,328	-
- Trade and other payables	24	24	-	24	-	-
- Loan from Eversholt UK Rails Limited	340,562	340,562	-	-	-	340,562
	342,914	342,914	-	24	2,328	340,562
Total financial instruments	248	248	340,562	(24)	(2,328)	(337,962)

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

17. Risk management (continued)

Liquidity risk management (continued)

	Carrying value £'000	Contractual cash flows £'000	On Demand £'000	Due within 1 year £'000	Due between 1-5 years £'000	Due after 5 years £'000
31 December 2017						
Financial assets						
- Loan receivable from Eversholt Investment Limited	340,562	340,562	340,562	-	-	-
- Cash and cash equivalents	2,600	2,600	-	-	-	2,600
	<u>343,162</u>	<u>343,162</u>	<u>340,562</u>	<u>-</u>	<u>-</u>	<u>2,600</u>
Financial liabilities						
- Intercompany loan	2,243	2,243	-	-	2,243	-
- Loan from Eversholt UK Rails Limited	340,562	340,562	-	-	-	340,562
	<u>342,805</u>	<u>342,805</u>	<u>-</u>	<u>-</u>	<u>2,243</u>	<u>340,562</u>
Total financial instruments	<u>357</u>	<u>357</u>	<u>340,562</u>	<u>-</u>	<u>(2,243)</u>	<u>(337,962)</u>

18. Fair value of financial assets and liabilities

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

19. Related-party transactions

19.1 Identity of related parties

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

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

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 UK Rails 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

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

19. Related-party transactions (continued)

19.2 Transactions with related parties

Dividend income and dividends paid are more fully described in note 5. The Company has loans with related parties, more fully described in note 12. Interest receivable and payable on these loans is more fully described in notes 6 and 7.

The Company received £60,000 from Eversholt Rail Limited for consultancy services (2017: £nil).

20. Contingent liabilities

There were no contingent liabilities for the Company at 31 December 2018.

21. Subsequent events

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