

Registered number: 11080223

Corelink Rail Infrastructure Limited
Annual report and financial statements
for the period ended 31 December 2018



Corelink Rail Infrastructure Limited

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Corelink Rail Infrastructure Limited

Directors and advisers

Directors

Michele Armanini (appointed 23 November 2017)
Jed Brawley (appointed 23 November 2017)
Thomas Crawley (appointed 23 November 2017)
Hamish Mackenzie (appointed 23 November 2017)
Andrew Mathews (appointed 23 November 2017)
Miguel Costa (appointed 5 March 2018)
Harold D'Hauteville (resigned 5 March 2018)

Registered number

11080223

Registered office

Suite 1, 3rd Floor,
11-12 St. James's Square
London
SW1Y 4LB

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Corelink Rail Infrastructure Limited

Directors' report for the period ended 31 December 2018

The directors present their Annual report and the audited financial statements of the company for the period from the date of incorporation, 23 November 2017, to 31 December 2018.

Principal activities

The company was incorporated on 23 November 2017.

The sole activity of the company is the funding, ownership and leasing of fleets of Class 730 electric trains manufactured by Bombardier Transportation UK Limited ("BT") and Class 196 diesel trains manufactured by Construcciones y Auxiliar de Ferrocarriles S.A. ("CAF").

On 11 December 2017 the company entered into manufacturing and supply agreements, loan arrangements and lease agreements to fund the construction and delivery of these trains and their subsequent lease to West Midlands Trains Limited.

Results and dividends

The company was incorporated on 23 November 2017, and commenced trading on this date.

The loss for the financial period was £15,320k.

The directors do not recommend a payment of a final dividend.

Future developments

The company is currently focused on meeting its contractual obligations and monitoring the performance of BT and CAF as they begin to manufacture the Class 730 and Class 196 trains. This activity will continue during 2019 ahead of the scheduled delivery of the trains in 2020.

Financial risk management

Interest rate risk

The company has some floating rate interest debt and is thus exposed to fluctuations in interest rates. Cash flow exposure to interest rate fluctuations is managed through interest rate swaps.

Credit risk

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

The company manages credit risk by carrying out regular reviews of counterparties to assess and evaluate their financial stability.

Liquidity and cash flow risk

Liquidity risk is the risk that the company is unable to meet its obligations as they fall due.

The company monitors its cash flow requirements on a monthly basis and compares expected cash flow obligations with expected cash flow receipts to ensure that they are appropriately aligned, and has secured debt facilities to finance build contracts.

Directors

The directors who served during the period and up to the date of approval of the financial statements are shown on page 1.

Corelink Rail Infrastructure Limited

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

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 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.

Directors' confirmations

In the case of each director in office at the date the Directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

This report was approved by the board and signed on its behalf:



Michele Amanini
Director

01 May 2019

Independent auditors' report to the members of Corelink Rail Infrastructure Limited

Report on the audit of the financial statements

Opinion

In our opinion, Corelink Rail Infrastructure Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss and cash flows for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2018; the Income statement, the statement of comprehensive income, the Statement of cash flows, the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

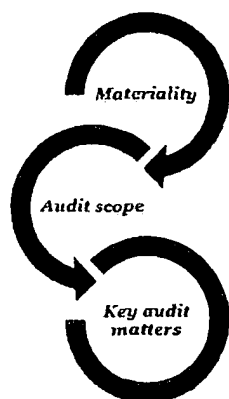
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall materiality: £1,630,000, based on 1% of total assets.
 - Full scope statutory audit
 - Measurement of borrowings at amortised cost.
-

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><i>Measurement of borrowings at amortised cost</i></p> <p>Refer to page 12 (Notes to the financial statements – note 1), page 14 (Notes to the financial statements – note 5), and page 17 (Notes to the financial statements – note 12).</p> <p>The Company has total borrowings of £164,015,000 as at 31 December 2018. The Company's borrowings consist of third party debt facilities and shareholder loans. The shareholder loans are listed on the ISE but wholly owned by group companies and not freely tradeable.</p> <p>Consistent with the requirements of IFRS the borrowings are recognised initially at fair value, net of direct issue costs and subsequently measured at amortised cost. Finance charges and directly attributable issue costs, are recognised in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.</p> <p>This is the company's first period of trading and the borrowing facilities and financing costs are of a material quantum. Our audit testing therefore focussed on these areas. As such the measurement of borrowings has been identified a key audit matter.</p>	<p>We tested the borrowings to underlying agreements and tested any drawdowns and repayments to bank statements.</p> <p>We obtained confirmations of the borrowings from third parties as at 31 December 2018.</p> <p>We tested a sample of financing charges to invoice and cash where applicable. We assessed whether these costs were directly related to the borrowings and therefore whether the accounting treatment adopted was appropriate</p> <p>We obtained management's effective interest rate calculation and tested their calculation.</p> <p>Based on the testing performed we found that the overall position adopted in the financial statements was reasonable and appropriate.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We have performed a full scope statutory audit over the Company. This included performing sufficient appropriate audit procedures over all material balances.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£1,630,000.
How we determined it	1% of total assets.
Rationale for benchmark applied	We believe that total assets is the key driver of the Company, on the basis that the principle activity of the company during the period was the funding of construction of assets there were classified as assets under construction as at 31 December 2018.

We agreed with the Board of directors that we would report to them misstatements identified during our audit above £163,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the 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 the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the period ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept

or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Ian Benham (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
01 May 2019

Corelink Rail Infrastructure Limited

Income statement for the period ended 31 December 2018

		Period from 23 November 2017 to 31 December 2018 £'000
	Note	
Operating expenses		(5,472)
Operating Loss	2	(5,472)
Finance costs	6	(9,848)
Loss before taxation		(15,320)
Income tax credit	7	-
Loss for the financial period		(15,320)

Statement of comprehensive income for the period ended 31 December 2018

	Period from 23 November 2017 to 31 December 2018 £'000
Loss for the financial period	(15,320)
Other comprehensive expense	-
Total comprehensive expense for the period	(15,320)

The notes on pages 12 to 24 are an integral part of these financial statements.

Corelink Rail Infrastructure Limited

Statement of financial position as at 31 December 2018

Period from 23
November 2017 to
31 December
2018
£'000

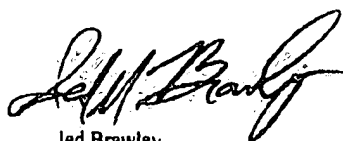
	Note	
Assets		
Non-current assets		
Property, plant and equipment	8	143,356
Derivative financial asset	18	442
Total non-current assets		143,799
Current assets		
Trade and other receivables	9	6,859
Cash and cash equivalents	10	1,841
Total current assets		8,700
Total assets		152,498
Liabilities		
Non-current liabilities		
Derivative financial liabilities	18	(2,591)
Borrowings	12	(164,015)
Total non-current liabilities		(166,606)
Current liabilities		
Trade and other payables	11	(1,202)
Total current liabilities		(1,202)
Total liabilities		(167,808)
Net liabilities		(15,310)
Equity		
Share capital	14	10
Accumulated losses		(15,320)
Total equity		(15,310)

The notes on pages 12 to 24 are an integral part of these financial statements

The financial statements on pages 8 to 24 were authorised for issue by the Board of directors on 01 May 2019 and were signed on their behalf by:



Michele Armanini
Director



Jed Brawley
Director

Registered number: 11080223

Corelink Rail Infrastructure Limited

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

	Share capital £'000	Accumulated losses £'000	Total equity £'000
At 23 November 2017 (date of incorporation)	-	-	-
Loss for the financial period	-	(15,320)	(15,320)
Total comprehensive expense for the financial period	-	(15,320)	(15,320)
Total transactions with owners in their capacity as owners:	-	-	-
Issue of ordinary shares	10	-	10
At 31 December 2018	10	(15,320)	(15,310)

The notes on pages 12 to 24 are an integral part of these financial statements.

Corelink Rail Infrastructure Limited

Statement of cash flows for the period ended 31 December 2018

		Period from 23 November 2017 to 31 December 2018 £'000
	Note	
Cash flows from operating activities		
Cash used in operations	15	(5,881)
Net cash used in operating activities		(5,881)
Cash flows from investing activities		
Payments for property, plant and equipment		(143,356)
Net cash used in investing activities		(143,356)
Cash flows from financing activities		
Proceeds from borrowing	12	181,087
Finance Costs	6	(24,019)
Funding of reserve account	9	(6,000)
Proceeds from issuing shares	14	10
Net cash generated from financing activities		151,078
Net increase in cash and cash equivalents		1,841
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period	10	1,841

The notes on pages 12 to 24 are an integral part of these financial statements.

Corelink Rail Infrastructure Limited

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

1 Accounting policies

General information

The company's principal activity during the period was providing the financing for the manufacture of railway locomotives and rolling stock.

The financial statements are presented in UK pound sterling. Corelink Rail Infrastructure Limited is a private limited company incorporated and domiciled in the United Kingdom. The registered address is Suite 1, 3 Floor, 11-12 St James's Square, London, SW1Y 4LB.

The company was incorporated on 23 November 2017 and commenced trading on this date.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements of Corelink Rail Infrastructure Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and with the Companies Act 2006 as applicable.

The financial statements have been prepared on a historical cost basis, except for a contingent consideration receivable which is measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Management has concluded that there are no critical assumptions, estimates or judgements involving a high degree of judgment or complexity which require further disclosure. The company's accounting policies and estimates are detailed below.

New standards, amendments and interpretations effective in the period to 31 December 2018

The accounting policies set out below are those that the company has adopted under International Financial Reporting Standards as adopted by the European Union for the period ended 31 December 2018.

No standards have been adopted by the company for the first time during the financial period beginning on or after 23 November 2017 that have had a material impact on the company.

Standards, amendments and interpretations that are not yet effective and have not been adopted early by the company

The following new standards, new interpretations, and amendments to standards and interpretations that are not yet effective and have not been adopted early by the company:

IFRS 9, 'Financial instruments' (effective 1 January 2018)

IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2018)

Amendment to IFRS 4 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments' (1 January 2018)

Amendment to IFRS 9, 'Financial instruments', on general hedge accounting (effective 1 January 2018)

Amendments to IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2018)

IFRS 16 (Leases) (1 January 2019)

The introduction of these new standards, interpretations and amendments is not expected to have a material impact on the company.

Corelink Rail Infrastructure Limited

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

1 Accounting policies (continued)

Standards, amendments and interpretations that are not yet effective and have not been adopted early by the company (continued)

Pronouncement IFRS 9 'Financial instruments'

Going concern

The directors have prepared cash flow forecasts for a period of at least twelve months from the date of signing of this report and confirm that the funding that is available to the company is sufficient to support the company's operations and planned growth over this period. Consequently, the directors have prepared these financial statements on a going concern basis.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

For all assets depreciation is calculated so as to write off the cost less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used are as follows:

Assets in the course of construction are carried at cost. These assets are not depreciated until they are available for use.

No depreciation is charged on land or the assets under construction. The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at each Statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are included within administrative expenses in the income statement.

Financial assets

The company classifies all its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of financial position date. These are classified as non-current assets. The company's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Statement of financial position.

Corelink Rail Infrastructure Limited

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

1 Accounting policies (continued)

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one period or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash and cash equivalents

In the cash flow statement cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one period or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Borrowings

Borrowings are recognised initially at fair value, net of direct issue costs and subsequently measured at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the Statement of Financial Position date.

Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

Corelink Rail Infrastructure Limited

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

1 Accounting policies (continued)

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of financial position date in the country where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the Statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity of different taxable entities where there is an intention to settle the balances on a net basis.

Amounts paid by, or amounts received by, the company in respect of group relief that represent the tax benefit surrendered/received are recorded as an income tax expense/credit in the statement of comprehensive income. Where the amounts paid by, or amounts received by, the company exceed the tax benefit surrendered/received, the excess is recorded directly in equity as a movement in other comprehensive income.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2 Breakdown of operating loss by nature

Operating loss has been arrived at after charging:

	2018 £'000
Auditors remuneration for audit services	38
Auditors remuneration for tax compliance services	19
Other expenses	5,415
	5,472

Audit fees of £38k include fees relating to the audit of other group companies that were not recharged.

3 Employees

There are no employees other than the directors. The company's directors were not remunerated for their services to the company.

Corelink Rail Infrastructure Limited

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

4 Auditors' remuneration for audit services

During the period, the company obtained the following services from the company's auditors and its associates:

	2018 £'000
Fees payable to the company's auditors and their associates for the audit of the company	8
Fees payable to the company's auditors and their associates for the audit of other group companies	30
	38

5 Auditors' remuneration for non-audit services

During the period, the company obtained the following services from the company's auditors and its associates:

	2018 £'000
Fees payable to the company's auditors and their associates for tax compliance services	19
	19

6 Finance costs

The finance costs are as set out below

	2018 £'000
Senior debt interest charge	(3,922)
Preference shares interest	(2)
Derivative mark-to-market	(2,149)
VAT facility fees and interest	(356)
Other finance fees	(3,197)
Shareholder loan interest	(221)
	(9,848)

The interest charge for the senior debt and shareholder loan facilities represents the interest cost of those facilities at the appropriate effective interest rate and include the amortisation of various upfront and ongoing fees charged on these facilities. The interest charge for the preference shares represents the interest accruing on these shares over the course of the period. The VAT facility costs represent interest costs of £160k, commitment fees of £90k and £97k of amortisation of the upfront facility fee. Other finance fees represent the letter of credit costs re-charged to the company by the shareholders in respect of their loan together with the fees payable to the intercreditor agent during the period.

The finance costs on a cash flow basis differ from those set out in the income statement due to the effective interest rate treatment. The cash flow financing costs are as set out below

	2018 £'000
Senior debt interest charge	(3,514)
Other finance fees	(20,506)
Preference shares interest charge	-
Shareholder loan interest charge	-
	(24,019)

Corelink Rail Infrastructure Limited

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

The other finance fees are as set out in the table below

	2018 £'000
Upfront fees on debt facilities	(10,078)
Adviser costs on debt facilities	(3,111)
Commitment fees on debt facilities	(4,906)
Letter of credit costs on shareholder loan	(2,380)
Intercreditor agent fees	(31)
	(20,506)

7 Income tax credit

	2018 £'000
Current tax	
Current tax on loss for the period	-
Total current tax	-
Deferred tax	
Origination and reversal of temporary differences	2,428
Unrecognised tax losses	(2,428)
Total deferred tax	-
Income tax credit	-

The company has a £2,428k tax credit which has not been recognised in the accounts as there is insufficient certainty around the future profitability of the company.

The tax on the company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the company as follows:

	2018 £'000
Loss before income tax	(15,320)
Income tax credit at the UK standard rate of 19%	2,911
Effects of:	
Expenses not deductible for tax purposes	(483)
Unrecognised tax losses	(2,428)
Capital grants not taxable	-
Income tax credit	-

Corelink Rail Infrastructure Limited

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

8 Property, plant and equipment

	Assets in course of construction £'000
Year end 31 December 2018	
Opening net book amount	-
Additions	143,356
Closing net book amount	143,356
At 31 December 2018	
Cost or fair value	143,356
Accumulated depreciation	-
Net book amount	143,356

Assets under construction consist of construction progress payments made to manufacturers for equipment to be placed under operating leases.

9 Trade and other receivables

	2018 £'000
Current	
Other tax and social security	95
Amounts owed by group undertakings	65
Cash in a reserve account	6,000
Prepayments	699
	6,859

The company has placed £6,000,000 of cash into a restricted account, which acts as a reserve amount of cash in the event of late delivery of the trains.

10 Cash and cash equivalents

	2018 £'000
Cash at bank and in hand	1,841

11 Trade and other payables

	2018 £'000
Current	
Trade payables	(451)
Accruals	(751)
	(1,202)

The fair values of trade and other payables are not materially different from their carrying value as the impact of discounting is not significant.

Corelink Rail Infrastructure Limited

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

There is no difference between the amounts shown above and the total contractual undiscounted cash flows of trade and other payables.

12 Borrowing

This note provides information about the contractual terms of the company's interest bearing loans and borrowings

The loans are measured on the balance sheet at amortised cost as set out below

	2018 £'000
Senior debt facility 1	(170,191)
Senior debt facility 2	6,014
Senior debt facility 3	2,824
Senior debt facility 4	3,652
Preference shares	(92)
Shareholder loan	(6,221)
	(164,015)

The terms of the loans are listed below:

- Senior debt facility 1 is a floating rate facility with an effective interest rate of 2.75% and a maturity date of 31 December 2021.
- Senior debt facility 2 is a floating rate facility with an effective interest rate of 6.23% and a maturity date of 31 December 2021.
- Senior debt facility 3 is a fixed rate facility with an effective interest rate of 4.40% and a maturity date of 10 December 2049.
- Senior debt facility 4 is a fixed rate facility with an effective interest rate of 4.31% and a maturity date of 10 December 2049.
- The preference shares are entitled to an annual fixed dividend equal to the higher of libor plus 200 basis points or 0.15% of the company's post-tax profits.
- The shareholder loan is a fixed rate facility with an effective interest rate of 7.5% and a maturity date of 30 June 2055. The shareholder loan notes are listed on the International Stock Exchange where there is no trading platform and thus no ability to trade the securities.

Senior debt facility 1

	2018 £'000
Loan drawn	(172,520)
Arrangement fees and loan services fees paid	2,936
Interest charged	(3,956)
Interest instalments paid	3,349
	(170,191)

Corelink Rail Infrastructure Limited

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

Senior debt facility 2

	2018 £'000
Loan drawn	-
Arrangement fees and loan services fees paid	6,014
Interest charged	-
Interest instalments paid	-
	6,014

Senior debt facility 3

	2018 £'000
Loan drawn	-
Arrangement fees and loan services fees paid	2,824
Interest charged	-
Interest instalments paid	-
	2,824

Senior debt facility 4

	2018 £'000
Loan drawn	(2,477)
Arrangement fees and loan services fees paid	6,090
Amortisation of arrangement and loan service fees paid	34
Interest instalments paid	5
	3,652

Preference shares

	2018 £'000
Loan drawn	(90)
Arrangement fees and loan services fees paid	-
Interest charged	(2)
Interest instalments paid	-
	(92)

Corelink Rail Infrastructure Limited

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

Shareholder loan

	2018 £'000
Loan drawn	(6,000)
Arrangement fees and loan services fees paid	-
Interest charged	(221)
Interest instalments paid	-
	(6,221)

13 Deferred income tax

The gross movement on the deferred income tax account is as follows:

	2018 £'000
At 23 November 2017	-
Credited to the Income statement	-
At 31 December 2018	-

The movement in deferred income tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets/(liabilities)	Other temporary differences £'000	Accelerated capital allowances £'000	Total £'000
At 23 November 2017	-	-	-
Credited to the Income statement	-	-	-
At 31 December 2018	-	-	-

14 Share capital

	2018 £'000
Allotted and fully paid	
10,000 Ordinary shares of £1 each	10

On 23 November 2017, 10,000 shares were issued for a nominal value of £1 each.

Corelink Rail Infrastructure Limited

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

15 Cash used in operations

The cash flow generated from operations is as follows

	Note	£'000
Loss before taxation		(15,320)
Adjustments for:		
Net finance cost	6	9,848
Changes in operating assets and liabilities		
Increase in trade and other payables	11	451
Increase in trade and other receivables	9	(859)
		(5,881)

16 Capital commitments

At 31 December 2018, the company had the following capital commitments:

	2018 £'000
Within 1 year	189,005
Between 2 and 5 years	348,767
After 5 years	-
	537,772

The capital commitments relate to payments due to the manufacturers of the rolling stock in respect of the trains that the company is committed to purchasing.

As at 31 December 2018 the company had access to a number of undrawn, but committed funding facilities, as set out in the table below

	2018 £'000
Senior debt facility 1	1,250
Senior debt facility 2	247,973
Senior debt facility 3	75,000
Senior debt facility 4	252,523
	576,746

In addition to the above the company has access to a £29.1 million revolving credit facility to enable it to meet the VAT liabilities arising upon settlement of its capital commitments.

Corelink Rail Infrastructure Limited

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

17 Net debt reconciliation

	2018 £'000
Cash and cash equivalents	1,841
Borrowing repayable after one year	(164,015)
Net debt	(162,174)
Cash	1,841
Gross debt – fixed interest rates	(164,269)
Gross debt – variable interest rates	254
	(162,174)

18 Risk management

Capital risk

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. Consideration is given to the availability, cost and risk associated with each class of capital.

Liquidity risk

The company monitors its cash flow requirements on a monthly basis and compares expected cash flow obligations with expected cash flow receipts to ensure that they are appropriately aligned and has secured debt facilities to finance build contracts.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at 31 December 2018 to the contractual maturity date. The amounts included in the table are the contractual undiscounted cash flows.

	Within one year £'000s	In the second to fifth year inclusive £'000s	Over five years £'000s	Total £'000s
Senior debt facility 1	3,965	181,720	-	185,684
Senior debt facility 2	-	-	-	-
Senior debt facility 3	-	-	-	-
Senior debt facility 4	99	573	3,539	4,211
	4,064	182,293	3,539	189,896

Senior debt facility 1 will, upon its maturity in December 2021, be refinanced via a shareholder loan which is backed by letters of credit from banks with high credit ratings assigned by international credit-rating agencies.

Senior debt facility 2 is an on-demand facility which the company has no contractual obligation to be draw down upon.

Senior debt facilities 3 and 4 are fixed draw down facilities which have significant contracted drawdowns and repayments following 31 December 2018. As these amounts have not yet been drawn however they are not recognised in the above table other than in respect of the small draw down currently made upon senior debt facility 4.

Interest rate risk

The company has some floating rate interest debt and is thus exposed to fluctuations in interest rates. Cash flow exposure to interest rate fluctuations is managed through interest rate swaps.

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

The company has in place interest rate swaps on senior debt facilities 1 and 2. As of 31 December 2018 the hedge ratio on the swap in place on facility 1 was 100.4%. Due to the small size of this mismatch, and the fact that the hedge ratio is expected to fall to 100% in early 2019, the company considers the hedge to be effective. Facility 2 has not yet been drawn down and the swap has not yet started but the swap profile has been matched to the expected draw down and repayment schedule on this facility and so is also considered to be an effective hedge.

The interest rate swaps in place on senior debt facilities 1 and 2 have, as of 31 December 2018, the following mark-to-market values

	2018 £'000
Senior debt facility 1	442
Senior debt facility 2	(2,591)

Senior debt facilities 3 and 4 are fixed rate facilities and thus there is no interest rate exposure on these facilities.

Credit risk

As the trains the company are funding are currently under construction, and thus no lease payments have yet fallen due, the principal credit exposure of the company arises from the ability of its counterparties to service their obligations under lending arrangements and derivative contracts. The company monitors this credit exposure on a regular basis.

The financial assets are currently performing in accordance with their contractual terms with all payments to date having been made as expected. The credit risk on liquid funds held by the company is limited as the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

19 Ultimate controlling party

The immediate parent undertaking of the company is Corelink Rail Infrastructure (Holdings) Limited.

The parent of the smallest and largest group undertaking which produces consolidated financial statements, and of which the company is a member, is Corelink Rail Infrastructure SGP, incorporated in the United Kingdom. Group financial statements for this company are available from 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ.

There is no one controlling party, instead it is 50% owned by Infracapital Greenfield Partners I LP, 32.28% owned by Pan European Infrastructure II LP and 17.72% owned by Pan European Infrastructure II SCS (in combination the "shareholders").

20 Related party transactions

During the period to 31 December 2018 the following payments were made by Corelink Rail Infrastructure Limited ("CRIL") to the shareholders

- A £1.5m payment upon signing of the project documents.
- Payments of £2.38m in respect of letter of credit costs incurred by the shareholders.
- Payments of £90k in respect of costs incurred by the shareholders on the company's behalf prior to its incorporation.
- Payments of £8k in respect of a variety of miscellaneous costs incurred by the shareholders during the course of the company's business.

At year end there were costs of £742k outstanding to the shareholders.

The shareholders have advanced a loan to CRIL as set out in note 12.

CRIL has a management services agreement in place with Corelink Rail Infrastructure Holdings Limited ("CRIHL") under which it has agreed to pay an annual fee of £535k. In the period to 31 December 2018 CRIL incurred management fees of £572k and paid CRIHL £637k leaving an intercompany balance at the end of the year of £65k.