

Company registration number: 10260072

ANNUAL REPORT AND FINANCIAL
STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2018

ROCK RAIL HOLDINGS
LIMITED



MENZIES
BRIGHTER THINKING

ROCK RAIL HOLDINGS LIMITED

COMPANY INFORMATION

Directors	M R Swindell A J Stringer
Company secretary	M E Grace-Swindell
Registered number	10260072
Registered office	Capital Tower 91 Waterloo Road London United Kingdom SE1 8RT
Independent auditors	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL
Accountants	Menzies LLP Ashcombe House 5 The Crescent Leatherhead Surrey KT22 8DY

ROCK RAIL HOLDINGS LIMITED

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ROCK RAIL HOLDINGS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Review of Business

The principal activities of Rock Rail Holdings Limited Group ("the Group") are the development and asset management of large scale greenfield rolling stock and rail infrastructure projects, providing investible opportunities for institutional equity and debt, whilst ensuring the long term alignment of commercial and financial interests and value for government, operators and the end consumer.

During 2018, Rock Rail Holdings ("RRH") selectively expanded its reach into the UK secondary market and announced its intention to expand into the European rail passenger services market through a partnership with ASI.

Results and performance

The results for the year are set out on page 9, and show a profit on ordinary activities before tax of £2,389,556 (2017: £10,032,485 this period includes an initial success fee). The shareholder funds of the Group total £15,886,443 (2017: £13,950,475). The Group's operation and performance remains encouraging having secured a 30% holding in Intercity Express Programme (IEP) West alongside its consortia partners Dalmore Capital, Equitix Investment Management and Japan Infrastructure Initiative. It has since acquired an additional 15% in April 2019.

2018 also saw the start of the acceptance process for the first of the £300m rolling stock fleet acquired for the Great Northern route and by April 19 all 25 units have been accepted, with associated capital rentals now being received in line with the financial expectations of the SPV in which Rock Rail Moorgate Management Ltd has an equity stake.

Business environment

Despite significant political uncertainty surrounding Brexit, the UK government remains committed to the delivery of large infrastructure projects and the need for privately funded infrastructure projects will continue to be a key requirement for the UK economy. Additionally, there will continue to be an appetite from institutional investors to invest directly into projects with the right risk profile and financial attributes.

In September 2018, the Government commissioned the Williams Review to make recommendations on the most appropriate organisational and commercial frameworks to support the delivery of the government's vision for the railway and the rail franchise bidding model. Call for evidence closed on 31 May 2019. Rock has actively participated into the review through its own submission and is looking forward to future opportunities to support the industry following the outcome of the review.

Strategy

The Group's success is dependent on the identification and delivery of investible infrastructure solutions with the right risk and return profiles that match the needs of Government, operator, the institutional sector, manufacturer and end consumer. It does this through its innovative approach to funding and the specialist expertise of its staff, together with its understanding of the investment community's needs and its long-term commitment to invest alongside them. It remains committed to ensuring that Government and the end consumer get best value.

The Group will continue to build its position in the rail sector whilst expanding equivalent services into related markets in the UK and Europe that meet similar investment criteria. Concurrently it will continue to manage the long term value of its assets through its sector expertise.

Key performance indicators

KPIs fall into three categories and reflect the strategic priorities of the business;

- Financial

Operating cash flow is a key focus. The nature of infrastructure is that revenues can be lumpy and as such, management focus is on ensuring that in the intervening periods between deals, sufficient working capital is in place to fund the business. Management regularly monitors future operational cash flow needs.

ROCK RAIL HOLDINGS LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

- Origination

Management conduct regular review of the pipeline of new business opportunities focusing on strategic rationale, value, timing, resource requirements and likelihood of closure.

- Asset Management

Construction risk is actively managed and reported to the individual boards of the project companies on a monthly basis applying a RAG framework and delivery timetables are regularly monitored against contractual obligations. An annual evaluation of residual value risk is undertaken reflecting projected future cashflows and a range of associated risk factors specific to the asset and franchise as well as other more general market factors.

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of delegated authority and board approvals. Every investment opportunity undergoes extensive due diligence before approval with a key focus on possible constructional, operational or technology risk that could in any way damage the long term value of the investment. The Group hires sector experts to continually monitor and mitigate any identified risks on behalf of the investors. There are formal monthly meetings where any such risks are reviewed and actions agreed during the life time of the asset. Rock contracts with specialist legal, financial and modelling experts to ensure that its interests are protected.

Future development

Rock has proven capabilities in delivering complex greenfield infrastructure financing solutions and is exceptionally well placed to expand its services outside of the rolling stock market in the UK. The pipeline for future infrastructure opportunities is strong and the Board is confident that it can deliver many projects over the coming years. It continues to hire exceptional talent with project finance and technical and commercial sector experience to enable it both to exploit these opportunities and to protect the assets that have been acquired.

Going Concern

The Statement of Comprehensive income shows a profit for the year of £1,935,968 (2017: £8,144,641) and the Statement of Financial Position at 31 December 2018 shows net assets of £15,886,443 (2017: £13,950,475). The Directors have prepared the financial statements on a going concern basis which requires the Directors to have a reasonable expectation that the Company has adequate resources to continue existence for the foreseeable future.

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

M R Swindell
Director



Date: 24/6/19

ROCK RAIL HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Principal activity

The principal activities of the Group are the development and asset management of large greenfield infrastructure projects, providing investible opportunities for institutional equity and debt ensuring the long-term alignment of commercial and financial interests and value for government, operators and the end consumer. The business focus includes rolling stock and rail infrastructure projects.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £1,935,968 (2017 - £8,144,641 *this period includes an initial success fee*).

The directors do not recommend the payment of a dividend.

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

Directors

The directors who served during the year were:

M R Swindell
A J Stringer

Matters covered in strategic report

A review of the business and principal risks and uncertainties are not shown in the directors' report as this information is included within the strategic report under s.414c(11) of the Companies Act 2006.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditor

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

ROCK RAIL HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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



M R Swindell
Director

Date: 24/6/19

Capital Tower
91 Waterloo Road
London
United Kingdom
SE1 8RT

ROCK RAIL HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors are responsible for preparing the Strategic Report and Directors' 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 Group and parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

ROCK RAIL HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ROCK RAIL HOLDINGS LIMITED

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the Group and parent 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 they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

ROCK RAIL HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ROCK RAIL HOLDINGS LIMITED

Opinion

We have audited the financial statements of Rock Rail Holdings Limited ("the Company") for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to Britain exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern


The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

ROCK RAIL HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ROCK RAIL HOLDINGS LIMITED


Mark Smith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
Date: 27/06/19

ROCK RAIL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	Year ended 31 December 2018 £	Year ended 31 December 2017 £
Turnover	4	5,515,951	12,690,503
Cost of sales		(402,506)	(403,853)
Gross profit		5,113,445	12,286,650
Administrative expenses		(3,425,723)	(2,755,926)
Operating profit		1,687,722	9,530,724
Interest receivable and similar income		940,132	705,748
Interest payable and expenses	9	(238,298)	(203,987)
Profit before taxation		2,389,556	10,032,485
Tax on profit	10	(453,588)	(1,887,844)
Profit for the financial year		1,935,968	8,144,641
Total comprehensive income for the year		1,935,968	8,144,641
Profit for the year attributable to:			
Non-controlling interests		30,103	32,600
Owners of the parent Company		1,905,865	8,112,041
		1,935,968	8,144,641

There were no recognised gains and losses for 2018 or 2017 other than those included in the consolidated statement of comprehensive income.

The notes on pages 15 to 29 form part of these financial statements.

ROCK RAIL HOLDINGS LIMITED

REGISTERED NUMBER:10260072

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	12	17,614	15,223
Investments	13	1,347,788	9,108
		<u>1,365,402</u>	<u>24,331</u>
Current assets			
Debtors: including £17,546,536 (2017: £15,882,590) falling due after more than one year	15	18,151,854	16,197,059
Cash at bank and in hand		2,324,047	3,421,954
		<u>20,475,901</u>	<u>19,619,013</u>
Creditors: amounts falling due within one year	16	(2,056,418)	(2,833,554)
Net current assets		<u>18,419,483</u>	<u>16,785,459</u>
Total assets less current liabilities		<u>19,784,885</u>	<u>16,809,790</u>
Creditors: amounts falling due after more than one year	17	(3,898,442)	(2,859,315)
Net assets		<u>15,886,443</u>	<u>13,950,475</u>
Capital and reserves			
Called up share capital	20	111	111
Profit and loss account	21	15,231,228	13,325,363
Equity attributable to owners of the parent Company		<u>15,231,339</u>	<u>13,325,474</u>
Non-controlling interests		655,104	625,001
		<u>15,886,443</u>	<u>13,950,475</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



M R Swindell
Director

Date: 24/6/19

The notes on pages 15 to 29 form part of these financial statements.

ROCK RAIL HOLDINGS LIMITED
REGISTERED NUMBER: 10260072

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	12	17,614	15,223
Investments	13	235,466	316
		253,080	15,539
Current assets			
Debtors: including £1,332,509 (2017: £nil) falling due after more than one year	15	3,616,571	1,964,019
Cash at bank and in hand		1,512,631	1,385,189
		5,129,202	3,349,208
Creditors: amounts falling due within one year	16	(2,536,600)	(1,827,214)
Net current assets		2,592,602	1,521,994
Total assets less current liabilities		2,845,682	1,537,533
Creditors: amounts falling due after more than one year	17	(8,810)	(8,810)
Net assets		2,836,872	1,528,723
Capital and reserves			
Called up share capital	20	111	111
Profit and loss account	21	2,836,761	1,528,612
		2,836,872	1,528,723

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

M R Swindell
 Director

Date: 24/6/19



The notes on pages 15 to 29 form part of these financial statements.

ROCK RAIL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£	£	£	£	£
At 1 January 2018	111	13,325,363	13,325,474	625,001	13,950,475
Comprehensive income for the year					
Profit for the year	-	1,905,865	1,905,865	30,103	1,935,968
Total comprehensive income for the year	-	1,905,865	1,905,865	30,103	1,935,968
At 31 December 2018	111	15,231,228	15,231,339	655,104	15,886,443

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£	£	£	£	£
At 1 January 2017	100	5,213,322	5,213,422	592,401	5,805,823
Comprehensive income for the year					
Profit for the year	-	8,112,041	8,112,041	32,600	8,144,641
Total comprehensive income for the year	-	8,112,041	8,112,041	32,600	8,144,641
Shares issued during the year	11	-	11	-	11
Total transactions with owners	11	-	11	-	11
At 31 December 2017	111	13,325,363	13,325,474	625,001	13,950,475

The notes on pages 15 to 29 form part of these financial statements.

ROCK RAIL HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	111	1,528,612	1,528,723
Comprehensive income for the year			
Profit for the year	-	1,308,149	1,308,149
	-	1,308,149	1,308,149
Total comprehensive income for the year			
At 31 December 2018	111	2,836,761	2,836,872

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017	100	(118,066)	(117,966)
Comprehensive income for the year			
Profit for the year	-	1,646,678	1,646,678
	-	1,646,678	1,646,678
Total comprehensive income for the year			
Contributions by and distributions to owners			
Shares issued during the year	11	-	11
Total transactions with owners	11	-	11
At 31 December 2017	111	1,528,612	1,528,723

The notes on pages 15 to 29 form part of these financial statements.

ROCK RAIL HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
Cash flows from operating activities		
Profit for the financial year	1,935,968	8,144,641
Adjustments for:		
Depreciation of tangible assets	8,254	4,637
Interest paid	238,298	203,987
Interest received	(940,132)	(705,748)
Taxation charge	453,588	1,887,844
(Increase) in debtors	(229,016)	(251,135)
Decrease in amounts owed by groups	-	16,215
(Increase) in amounts owed by participating interests	(1,700,834)	(7,898,809)
Increase/(decrease) in creditors	1,432,925	(1,085,836)
Corporation tax (paid)	(2,470,403)	(884,476)
Net cash generated from operating activities	(1,271,352)	(568,680)
Cash flows from investing activities		
Purchase of tangible fixed assets	(10,645)	(19,860)
Purchase of unlisted and other investments	(1,338,680)	(3,036)
Interest received	940,132	705,748
Net cash from investing activities	(409,193)	682,852
Cash flows from financing activities		
Senior debt	820,936	-
Interest paid	(238,298)	(203,987)
Net cash used in financing activities	582,638	(203,987)
Net (decrease) in cash and cash equivalents	(1,097,907)	(89,815)
Cash and cash equivalents at beginning of year	3,421,954	3,511,769
Cash and cash equivalents at the end of year	2,324,047	3,421,954
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,324,047	3,421,954
	2,324,047	3,421,954

The notes on pages 15 to 29 form part of these financial statements.

ROCK RAIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

Rock Rail Holdings Limited and its subsidiary companies are private companies limited by shares, incorporated and domiciled in England in the United Kingdom. Details of the Company's registered office and principal place of business can be found on the company information page of these financial statements.

The financial statements are presented in sterling which is the functional currency of the Company and rounded to the nearest £1.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

At 31 December 2018 the Group had a net profit before tax of £2,389,556 (year ended 31 December 2017: £10,032,485) and net assets of £15,886,443 (2017: £13,950,475) and as a result the directors have a reasonable expectation that the Company has adequate resources to continue operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Development fee income is only recognised on the successful financial close of the transaction to which it relates, as up to this point, there remains uncertainty to the deliverability of the contract.

Management services income is recognised on an invoiced basis which is deemed to be consistent with the delivery of these services.

ROCK RAIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	- 3 years
Computer equipment	- 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.6 Valuation of investments

Investments are initially recorded at cost and reviewed annually for impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

ROCK RAIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.8 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.10 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

ROCK RAIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.11 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

During the period the Group did not apply any significant judgements or any uncertain estimates.

ROCK RAIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

4. Turnover

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Consultancy services	5,515,951	12,690,503
	<u>5,515,951</u>	<u>12,690,503</u>

All turnover arose within the United Kingdom.

5. Auditors' remuneration

	2018 £	2017 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	14,250	13,500
Fees payable to the auditor of Rock Rail East Anglia Management Limited	5,500	5,250
Fees payable to the auditor of Rock Rail Management Services Limited	10,750	-
Fees payable to the auditor of Rock Rail Moorgate Management Limited	5,500	5,250
	<u>36,000</u>	<u>24,000</u>

6. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Wages and salaries	2,198,245	1,861,841	2,198,245	1,861,841
Social security costs	230,757	213,522	230,757	213,522
Cost of defined contribution scheme	63,387	13,181	63,387	13,181
	<u>2,492,389</u>	<u>2,088,544</u>	<u>2,492,389</u>	<u>2,088,544</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Directors	2	2
Employees	17	12
	<u>19</u>	<u>14</u>

ROCK RAIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

7. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	530,000	525,000
Company contributions to defined contribution pension schemes	15,120	3,750
	<u>545,120</u>	<u>528,750</u>

The highest paid director received remuneration of £375,000 (2017 - £400,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £10,000 (2017 - £2,500).

8. Interest receivable

	2018 £	2017 £
Interest receivable from Rock Rail East Anglia (Holdings) 2 Limited	312,090	297,796
Interest receivable from Rock Rail Moorgate (Holdings) Limited	216,956	407,952
Interest receivable from Rock Rail South Western (Holdings) 2 Limited	399,458	-
Interest receivable from Apple Bidco 1 Limited	2,618	-
Other interest receivable	9,010	-
	<u>940,132</u>	<u>705,748</u>

9. Interest payable and similar expenses

	2018 £	2017 £
Other loan interest payable	238,298	203,987
	<u>238,298</u>	<u>203,987</u>

ROCK RAIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

10. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	483,052	1,874,833
Adjustments in respect of previous periods	(4,519)	(7,810)
	<u>478,533</u>	<u>1,867,023</u>
Total current tax	<u>478,533</u>	<u>1,867,023</u>
Deferred tax		
Origination and reversal of timing differences (note 19)	(13,304)	20,821
Adjustments in respect of previous periods	(11,641)	-
Total deferred tax	<u>(24,945)</u>	<u>20,821</u>
Taxation on profit on ordinary activities	<u>453,588</u>	<u>1,887,844</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>2,389,556</u>	<u>10,032,485</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	454,016	1,931,256
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	14,167	8,702
Capital allowances for year in excess of depreciation	-	(4,163)
Utilisation of tax losses	-	(505)
Effect of change in corporation tax rate	1,565	(36,416)
Adjustments to tax charge in respect of prior periods	(16,160)	(7,810)
Origination and reversal of timing differences	-	20,821
Group relief	-	(24,041)
Total tax charge for the year	<u>453,588</u>	<u>1,887,844</u>

ROCK RAIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

10. Taxation (continued)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantially enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 31 December 2018 has been calculated based on these rates.

11. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £1,308,149 (2017 - £1,646,678).

12. Tangible fixed assets

Group and Company

	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation			
At 1 January 2018	680	19,180	19,860
Additions	2,925	7,720	10,645
At 31 December 2018	3,605	26,900	30,505
Depreciation			
At 1 January 2018	76	4,561	4,637
Charge for the year on owned assets	877	7,377	8,254
At 31 December 2018	953	11,938	12,891
Net book value			
At 31 December 2018	2,652	14,962	17,614
At 31 December 2017	604	14,619	15,223

ROCK RAIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13. Fixed asset investments

Group

	Unlisted investments £
Cost or valuation	
At 1 January 2018	9,108
Additions	1,338,680
At 31 December 2018	<u>1,347,788</u>
Net book value	
At 31 December 2018	<u>1,347,788</u>
At 31 December 2017	<u>9,108</u>

The Group owns 6.1% of Rock Rail Moorgate (Holdings) Limited, 6.1% of Rock Rail South Western (Holdings) 1 Limited and 6.1% of Rock Rail East Anglia (Holdings) 1 Limited, companies incorporated in England.

During the year, the Group acquired 0.55% of Apple Bidco 1 Limited, a company incorporated in England, by virtue of its shareholding in Apple Holdco (R) Limited.

ROCK RAIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2018	316
Additions	235,150
At 31 December 2018	<u>235,466</u>
Net book value	
At 31 December 2018	<u>235,466</u>
At 31 December 2017	<u>316</u>

During the year, the Company acquired 100% of Apple HoldCo (R) Limited, a company incorporated in England.

14. Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Rock Rail Moorgate Management Limited	A	90 %	Infrastructure projects
Rock Rail East Anglia Management Limited	A	90 %	Infrastructure projects
Rock Rail Management Services Limited	A	100 %	Infrastructure projects
Apple HoldCo (R) Limited	A	100 %	Infrastructure projects
Apple Finco (R) Limited*	A	100 %	Infrastructure projects

The registered office of all of the subsidiary companies is Capital Tower, 91 Waterloo Road, London, United Kingdom, SE1 8RT.

*Indirect subsidiary.

ROCK RAIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

15. Debtors

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade debtors	37,276	62,175	37,276	62,175
Amounts owed by group undertakings	-	-	3,044,819	1,583,781
Loan notes	17,583,424	15,882,590	-	-
Other debtors	407,239	207,253	407,239	273,022
Prepayments and accrued income	98,970	45,041	102,292	45,041
Deferred taxation	24,945	-	24,945	-
	18,151,854	16,197,059	3,616,571	1,964,019

Amounts owed by group undertakings are interest bearing and repayable on demand with the exception of a loan of £1,332,509 (2017: £nil) due from Apple Finco (R) Limited maturing in November 2044 with interest at 7%.

Loan notes: Amounts due after more than one year

	Nominal interest rate	Year of maturity	Repayment schedule	2018 £	2017 £
Rock Rail Moorgate (Holdings) Limited	2.0% rising to 9.25%	2047	30 instalments commencing March 2019	2,963,666	2,797,105
Rock Rail East Anglia (Holdings) 2 Limited	2.0% rising to 7.00%	2037	21 instalments commencing March 2027	5,737,080	5,543,214
Rock Rail South Western (Holdings) 2 Limited	2.0% rising to 7.00%	2035	23 instalments commencing March 2024	7,793,258	7,542,271
Apple Bidco 1 Limited	7.00%	2044	Repayable on 9 November 2044	1,052,532	-
				17,546,536	15,882,59

Loan notes: Amounts due within one year

	2018 £	2017 £
Rock Rail East Anglia (Holdings) 2 Limited	36,888	-
Total loan notes	17,583,424	15,882,590

ROCK RAIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

18. Financial instruments

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Financial assets				
Financial assets measured at cost	3,671,835	3,431,062	1,748,097	1,385,505
Financial assets that are debt instruments measured at amortised cost	18,062,939	16,152,007	3,524,334	1,918,967
	<u>21,734,774</u>	<u>19,583,069</u>	<u>5,272,431</u>	<u>3,304,472</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>5,954,860</u>	<u>5,692,869</u>	<u>2,545,410</u>	<u>1,836,024</u>

Financial assets measured at cost comprise of unlisted investments and cash at bank.

Financial assets that are debt instruments measured at amortised cost comprise of trade and other debtors and amounts owed by related companies.

Financial assets that are equity instruments measured at cost less impairment comprise...

Financial liabilities measured at amortised cost comprise of trade and other creditors, accruals and loans payable.

19. Deferred taxation

Group

	2018 £
At beginning of year	-
Credited to profit or loss	24,945
At end of year	<u>24,945</u>
	Group 2018 £
Short term timing differences	24,945
	<u>24,945</u>
	Group 2017 £
	-
	<u>-</u>

ROCK RAIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

16. Creditors: Amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade creditors	126,345	43,020	119,887	43,020
Amounts owed to group undertakings	-	-	759,039	1,073,575
Corporation tax	517,835	2,511,486	403,702	453,881
Other taxation and social security	453,598	83,775	328,135	71,465
Other creditors	1,716	4,385	1,716	4,385
Accruals and deferred income	956,924	190,888	924,121	180,888
	2,056,418	2,833,554	2,536,600	1,827,214

Amounts owed to group undertakings at 31 December 2018 of £759,039 (2017: £1,073,575) is a loan from Rock Rail East Anglia Management Limited, interest of £22,532 (2017: £nil) was charged in the period. The loan is repayable on demand.

17. Creditors: Amounts falling due after more than one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Amounts due to related parties	3,077,505	2,859,315	8,810	8,810
Senior debt	820,937	-	-	-
	3,898,442	2,859,315	8,810	8,810

The above amount of £3,077,505 (2017: £2,859,315) relates to a loan due to Rock Infrastructure Limited, a related company, which is payable in greater than 5 years. Interest is payable on the outstanding balance of the loan at changeable interest rates from 2% in December 2017 to 10% from 1st January 2024 onwards. The maturity date will be 17th February 2026.

Interest bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest bearing loans and borrowings which are measured at amortised cost.

	Nominal interest rate	Year of maturity	Repayment schedule	2018 £	2017 £
Senior debt	RPI index linked	2044	6 monthly instalments commencing March 2019	820,937	-

The senior debt is secured by a fixed and floating charge over the assets of Apple Finco (R) Limited.

ROCK RAIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

20. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
5,100 (2017 - 5,100) A Ordinary shares of £0.01 each	51	51
4,600 (2017 - 4,600) B Ordinary shares of £0.01 each	46	46
300 (2017 - 300) C Ordinary shares of £0.01 each	3	3
1,142 (2017 - 1,142) D Ordinary shares of £0.01 each	11	11
	<hr/>	<hr/>
	111	111
	<hr/>	<hr/>

Dividends and income - Ordinary shares are entitled to receive dividends as approved by the Board of Directors.

Voting rights - Ordinary shares are entitled to one vote per share at General Meetings.

Distribution - Upon the liquidation of the Company, once all liabilities have been met, ordinary shareholders will receive the value paid up per share. Any remaining funds will be shared amongst ordinary shareholders.

21. Reserves

Profit and loss account

The profit and loss account consists of the accumulated profit.

22. Contingent liabilities

The Company operates a deferred incentive scheme for senior members of staff who are actively involved in originating and executing qualifying contracts. The deferred incentive payments are contingent on the business selling its minority interests in the related Special Purpose Vehicle. It has been estimated that in these circumstances, the liability would be £1,624,000. It is not possible to state the timing of any possible payment, but the earliest that a partial payment could arise would be 2021.

ROCK RAIL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

23. Related party transactions

As at 31 December 2018 the group owed £3,077,505 (2017: £2,859,315) to Rock Infrastructure Limited, a company under common control. During the year, interest of £218,190 (2017: £203,987) was paid in respect of this loan and it is payable on demand.

As at 31 December 2018, Rock Rail Moorgate Management Limited owed £596,747 (2017: £303,263) to its parent company Rock Rail Holdings Limited. During the year, interest of £14,447 (2017: £Nil) was paid in respect of this loan and is repayable on demand.

As at 31 December 2018, Rock Rail Moorgate Management Limited was owed £2,963,667 (2017: £2,797,104) and received £216,956 (2017: £203,926) in interest from Rock Rail Moorgate (Holdings) Limited a related party due to key management personnel.

During the year, Rock Rail Moorgate Management Limited received £738,836 (2017: £232,435) from Rock Rail Moorgate Plc.

As at 31 December 2018, Rock Rail Moorgate Management Limited was owed £350,000 from Rock Rail Management Services Limited. During the year, no interest was paid in respect of this loan and it is repayable on demand.

As at 31 December 2018, Rock Rail East Anglia Management Limited was owed £5,773,967 (2017: £5,543,214) and received £312,090 (2017: £297,796) interest receivable from Rock Rail East Anglia (Holdings) 2 Limited a related party due to key management personnel.

During the year, Rock Rail East Anglia Management Limited received £611,050 (2017: £497,350) from Rock Rail East Anglia Plc.

As at 31 December 2018, Rock Rail East Anglia Management Limited was owed £759,038 from Rock Rail Holdings Limited. During the year, interest of £22,532 was paid in respect of this loan and it is repayable on demand.

As at 31 December 2018, Rock Rail East Anglia Management Limited owed £127,539 to Rock Rail Management Services Limited. During the year, interest of £2,539 was paid in respect of this loan and it is repayable on demand.

During the year, Rock Rail Management Services Limited received £869,125 (2017: £453,333) from Rock Rail South Western Plc.

As at 31 December 2018, Rock Rail Management Services Limited was owed £7,796,293 from Rock Rail South Western (Holdings) 2 Limited. During the year, interest of £399,458 was paid in respect of this loan and it is repayable on demand.

As at 31 December 2018, Rock Rail Management Services Limited owed £1,115,562 to Rock Rail Holdings Limited. During the year, interest of £36,991 was paid in respect of this loan and it is repayable on demand.

During the year, Rock Rail Holdings Limited charged Rock Rail Moorgate Management Limited £701,894 (2017: £220,813), Rock Rail East Anglia Management Limited £580,497 (2017: £472,481) and Rock Rail Management Services Limited £825,669 (2017: £Nil) for management services.

The ultimate controlling party is M R Swindell by virtue of his majority shareholding in Rock Rail Holdings Limited.

24. Subsequent events

Since the balance sheet date the Group with its consortia partners of Dalmore Capital, Equitix Investment Management and Japan Infrastructure Initiative have acquired an additional 15% holding in Intercity Express Programme (IEP) West in April 2019.