

# **European Rail Finance (GB) Limited**

## **Annual Financial Statements** for the year ended 31 December 2012

**Registered No: 2720809**

**Annual Financial Statements**

for the year ended 31 December 2012

<b>Contents</b>	<b>Page</b>
Directors' report	2
Independent auditor's report	5
Income statement	6
Statement of comprehensive income	6
Statement of financial position	7
Statement of cash flows	8
Statement of changes in equity	9
Notes to the financial statements	10

## **Directors' report**

for the year ended 31 December 2012

### **Principal activities**

European Rail Finance (GB) Limited (the "Company") is incorporated and domiciled in England and Wales. The Company forms part of the Eversholt Rail Group ("ERG" or "Group") more fully described in note 25.

The principal activity of the Company is to own and lease rolling stock in the UK.

### **Business review**

The Company continued the finance and operating leases that were written in previous years.

Eversholt Rail (UK) Limited, a subsidiary company, provides asset management and administrative services to the Company, charging an annual management fee.

The business continues to be funded principally by a group undertaking through borrowings. The Company has no employees.

### **Risk management**

The Company has established financial risk management objectives and policies. These objectives, together with an analysis of the exposure to such risks, are set out in note 23 of the financial statements.

The principal business risk for the Company is in respect of the residual value of its operating lease assets. The Company seeks to maximise the reletting potential, and therefore the residual value, of its assets by active management of the technical and commercial utility of these assets. An assessment is carried out by management every six months of the commercial value of all operating lease assets, measured as the present value of the net anticipated cashflows arising from ownership over the life of the assets. This assessment provides a basis for measuring the success of the Company in managing its assets, as well as for determining if that value is below the current book value and therefore an impairment provision might be needed.

The asset engineering team regularly visit operating depots and freight yards for the purpose of vehicle inspection and technical investigation. The Company has an excellent knowledge of the current condition of its fleet.

The Company has developed a specialist in-house inspection team who consider whole-life vehicle management; all vehicles are subject to a periodic inspection regime that delivers targeted inspections based on risk analysis.

The fleet performance is constantly monitored for emerging trends that might indicate that a particular fleet has developed a problem. In addition, the Company works proactively with train operators to identify opportunities to improve the performance of its fleets. The Company maintains constant dialogue with the train operators on fleet performance so that any emerging issues can be dealt with quickly.

### **Performance**

The Company's results for the year under review are as detailed in the income statement on page 6.

The key performance indicator used by management in assessing the performance of the Company is the monitoring of actual cashflows in comparison with the planned cashflows determined at the inception of the lease transactions. Monthly management accounts are prepared and reviewed by the management of the Group.

### **Future developments**

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

### **Dividends**

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2012 (year ended 31 December 2011: nil). Dividend payments will be reflected in the financial statements in the period in which they are declared.

## **Directors' report (continued)**

for the year ended 31 December 2012

### **Going concern basis**

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions.

### **Directors**

The Directors who served during the year were as follows:

P Gough  
M B Kenny  
N King  
R Mani  
G C Love  
S F Purves  
J B Watt  
P J White  
J M Wilmot

The Articles of Association of the Company provide that in certain circumstances the Directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of the Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors. The Directors have no interest in the share capital of the Company, their interest in the holding company is more fully described in note 26.

### **Supplier payment policy**

The Company does not currently subscribe to any code or standard on payment practice. It is the Company's policy, however, to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of payment.

### **Capital management**

The Company is not subject to externally imposed capital requirements and is dependent on the Group to provide necessary capital resources which are therefore managed on a Group basis.

It is the Group's objective to maintain a strong capital base to support the development of its business.

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

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

### **Auditor**

KPMG Audit Plc are deemed to be reappointed in accordance with an elective resolution made under Section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.



**Statement of Directors' responsibilities in respect of the Directors' report and the financial statements**

for the year ended 31 December 2012

The Directors are responsible for preparing the 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 financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that year. In preparing these financial statements, 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 they have been prepared in accordance with IFRSs as adopted by the EU; 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 responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

The Company's annual financial statements were approved by the Board of Directors on 25 February 2013 and signed on their behalf by:



**M B Kenny**  
Director

Registered Office  
210 Pentonville Road  
London  
N1 9JY

## **Independent Auditor's Report to the Members of European Rail Finance (GB) Limited**

for the year ended 31 December 2012

We have audited the financial statements of European Rail Finance (GB) Limited for the year ended 31 December 2012 set out on pages 6 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

### **Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate)

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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



**Simon Clark (Senior Statutory Auditor)**  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
*Chartered Accountants*

28 February 2013

One Snowhill  
Snow Hill Queensway  
Birmingham B4 6GH

## Income statement

for the year ended 31 December 2012

	Notes	2012 £	2011 £
<b>Revenue</b>			
Operating lease income	4	229,731,557	214,247,473
Finance lease income		1,876	667
Total revenue		229,733,433	214,248,140
Cost of sales	5	(205,940,850)	(203,271,588)
<b>Gross Profit</b>		23,792,583	10,976,552
Finance income	6	553,367	169,087
Finance expense	7	(3,537,860)	(3,642,874)
Administrative expenses	8	(2,623,624)	(2,738,798)
Profit on disposal of property, plant and equipment		2,606,469	203,000
<b>Profit before tax</b>		20,790,935	4,966,967
Income tax	10	(869,557)	4,329,033
<b>Profit for the year</b>		19,921,378	9,296,000

There were no discontinued or discontinuing operations during the period.

The notes on pages 10 to 25 form an integral part of these financial statements

## Statement of comprehensive income

for the year ended 31 December 2012

There has been no comprehensive income or expense other than the profit for the year as shown above (year ended 31 December 2011: nil).



# Statement of financial position

as at 31 December 2012

	Notes	2012 £	2011 £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	224,604,538	235,024,785
Trade and other receivables	13	3,986,420	8,276,886
Investments in subsidiaries	14	34,348,449	34,348,449
		<u>262,939,407</u>	<u>277,650,120</u>
<b>Current assets</b>			
Finance lease receivables	15	1,765	29,081
Loan receivable	16	834,434	19,155,967
Trade and other receivables	13	545,449	2,157,148
		<u>1,381,648</u>	<u>21,342,196</u>
<b>Total assets</b>		<u>264,321,055</u>	<u>298,992,316</u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	17	15,670,558	17,477,910
Current tax		10,927,554	14,425,198
Borrowings	18	-	57,903,864
Deferred revenue	21	421,514	9,015,024
Provisions	19	55,000	100,000
		<u>27,074,626</u>	<u>98,921,996</u>
<b>Non-current liabilities</b>			
Borrowings	18	64,247,742	42,441,562
Deferred tax	20	43,919,512	65,438,442
Deferred revenue	21	44,652,014	27,684,533
		<u>152,819,268</u>	<u>135,564,537</u>
<b>Total liabilities</b>		<u>179,893,894</u>	<u>234,486,533</u>
<b>Equity</b>			
Share capital	22	50,000,002	50,000,002
Retained earnings		34,427,159	14,505,781
<b>Total equity</b>		<u>84,427,161</u>	<u>64,505,783</u>
<b>Total equity and liabilities</b>		<u>264,321,055</u>	<u>298,992,316</u>

The notes on pages 10 to 25 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 25 February 2013. They were signed on its behalf by:

  
S.F. Purves  
Director

Company registration number 2720809



## Statement of cash flows

for the year ended 31 December 2012

	2012 £	2011 £
Profit before tax	20,790,935	4,966,967
Adjustments for:		
- Depreciation charge	10,508,574	24,808,666
- Profit on disposal of property, plant and equipment	(2,606,470)	(203,000)
- Finance expense	3,537,860	106,479
- Utilisation of design and endemic provision	-	(156,928)
- Reversal of provision for design and endemic	(45,000)	(44,483)
<b>Operating cash flows before changes in working capital</b>	<b>32,185,899</b>	<b>29,477,701</b>
Decrease in finance lease receivable	27,316	19,157
Decrease in trade and other receivables	5,902,165	1,270,731
Increase in deferred revenue	8,373,971	8,260,900
(Decrease)/Increase in trade and other payables	(1,807,352)	3,207,391
<b>Cash generated by operating activities</b>	<b>44,681,999</b>	<b>42,235,880</b>
Income tax paid	(25,886,130)	(17,272,449)
<b>Net cash generated by operating activities</b>	<b>18,795,869</b>	<b>24,963,431</b>
<b>Cash flow from investing activities</b>		
Acquisition of property, plant and equipment	(2,453,857)	(5,268,406)
Proceeds from disposal of property, plant and equipment	4,972,000	203,000
<b>Net cash generated by/(utilised in) investing activities</b>	<b>2,518,143</b>	<b>(5,065,406)</b>
<b>Cash flow from financing activities</b>		
Loans raised	10,235,228	8,824,896
Loans repaid	(46,332,910)	-
Finance expenses paid	(3,537,863)	-
Movement on working capital loan with Eversholt Rail	18,321,533	(28,722,921)
<b>Net cash utilised in financing activities</b>	<b>(21,314,012)</b>	<b>(19,898,025)</b>
Net decrease in cash and cash equivalents	-	-
Cash and cash equivalents acquired	-	-
Cash and cash equivalents carried forward	-	-

**Statement of changes in equity**

for the year ended 31 December 2012

	<b>Share capital</b> £	<b>Retained earnings</b> £	<b>Total shareholders' equity</b> £
<b>Balance at 1 January 2011</b>	50,000,002	5,209,781	55,209,783
Profit for the year	-	9,296,000	9,296,000
<b>Balance at 31 December 2011</b>	<b>50,000,002</b>	<b>14,505,781</b>	<b>64,505,783</b>
Profit for the year	-	19,921,378	19,921,378
<b>Balance at 31 December 2012</b>	<b>50,000,002</b>	<b>34,427,159</b>	<b>84,427,161</b>

## Notes to the Annual Financial Statements

for the year ended 31 December 2012

### 1 General Information

European Rail Finance (GB) Limited (the "Company") is a company incorporated in England and Wales under the Companies Act. The registered office of the Company is 210 Pentonville Road, London, N1 9JY. The principal activities of the company are set out on page 2.

### 2 Basis of Preparation

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

#### 2.1 Compliance with International Financial Reporting Standards

The financial statements of European Rail Finance (GB) Limited have been prepared on the historical cost basis. These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as issued by the International Accounting Standards Board ('IASB') and as endorsed by the European Union ('EU'). EU-endorsed IFRSs may differ from IFRSs as issued by the IASB if, at this point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2012, there were no unendorsed standards effective for the period ended 31 December 2012 affecting these financial statements, and there was no difference between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Company. Accordingly, the financial statements of the Company for the year ended 31 December 2012 are prepared in accordance with IFRSs as issued by the IASB.

IFRSs comprise accounting standards issued by the IASB and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC') and its predecessor body.

The Company is exempt from the requirement to prepare consolidated financial statements by virtue of Section 400 of the Companies Act 2006. The financial statements present information about the company as an individual undertaking.

#### 2.2 Standards and Interpretations issued by the IASB and endorsed by the EU

At 31 December 2012 a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for the financial statements of European Rail Finance (GB) Limited. These include the following Standards which are relevant to the Company's financial statements.

##### 2.2.1 IFRS 9 Financial instruments (2010), IFRS 9 Financial Instruments (2009)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of IFRS 9 (2009 and 2010) is not expected to have an impact on the Group's financial assets or liabilities.

##### 2.2.2 IFRS 12 Disclosure of interests in other entities

IFRS 12 Disclosure of interests in other entities establishes disclosure requirements for interests in other entities. This standard is effective for annual periods beginning on or after 1 January 2013 and is not expected to have a significant impact on the Company's financial statements.



## Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2012

### 2 Basis of Preparation (continued)

#### 2.2 Standards and Interpretations issued by the IASB and endorsed by the EU (continued)

##### 2.2.3 IFRS 13 Fair Value Measurement

On 12 May 2011, the IASB issued *IFRS 13 Fair Value Measurement (IFRS 13)*, which establishes guidance for fair value measurement and disclosure relating to this measurement.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and is not expected to have a significant impact in the Company financial statements.

#### 2.3 Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

### 3 Summary of significant accounting policies

The principal accounting policies adopted are set out below and have been applied consistently to all periods presented in these financial statements.

#### 3.1 Finance income and expense

Finance income and expense for all interest bearing financial instruments is recognised in 'Finance income' and 'Finance expense' in the income statement using the effective interest rate method. The effective interest rate method is a way of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability on initial recognition. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but excluding future credit losses.

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

#### 3.2 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use.

Other borrowing costs are recognised in profit and loss in the period in which they are incurred.

#### 3.3 Income tax

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

## Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2012

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

#### 3.3 Income tax (continued)

Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, by the end of the reporting period.

#### 3.4 Property, plant and equipment

In the normal course of business rolling stock and other railway assets are recognised at cost and are depreciated on a straight-line basis over their useful economic lives to their estimated residual value. The useful economic life depends on the class of vehicle and type of asset and ranges from 20 to 35 years. Useful lives and residual values are reviewed annually and if there is indication of impairment a loss will be recognised to reduce the carrying value of the asset to its recoverable amount.

In relation to the construction of rolling stock and other railway assets:

- i) Progress payments paid to third parties are capitalised.
- ii) Interest costs are capitalised to the extent that they are incurred in relation to borrowings, which are attributable to the construction of rolling stock and other railway assets and accrue in respect of the period of construction.
- iii) Assets in the course of construction are not depreciated until they are available for use.

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

At each reporting date, the Company reviews the carrying value of its rolling stock and railway assets to determine whether there is any indication that the assets have suffered an impairment loss. If there is an indication that impairment exists, the recoverable amount of the asset is estimated to determine the extent of the impairment.

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

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

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

#### 3.5 Subsidiaries

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



## Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2012

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

#### 3.6 Financial instruments

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

Financial assets are classified into the following specified categories: financial assets at 'fair value through profit or loss' (FVTPL); 'held to maturity investments'; 'available for sale (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Company holds the following classes of financial assets.

##### 3.6.1 Loans and receivables

Loans and receivables include receivables originated by the Company which are not classified either as held for trading or designated at fair value. Loans and receivables are recognised when cash is advanced to borrowers. They are derecognised when either borrowers repay their obligations, or the loans are sold or written off, or substantially all the risks and rewards of ownership are transferred. They are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method, less impairment losses.

##### 3.6.2 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition, and include cash.

##### 3.6.3 Financial liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'other' financial liabilities.

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

##### 3.6.4 Impairment of financial assets

Financial assets, other than those at FVTPL are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment losses are calculated on individual loans and on groups of loans assessed collectively. Impairment losses are recorded as charges to the income statement. The carrying amount of impaired loans on the Statement of financial position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

Individually assessed impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate, and comparing the resultant present value with the loan's current carrying amount.

Collectively assessed impairment losses are calculated on the basis of past experience, current economic conditions and other relevant factors to provide for losses not yet specifically identified.

Financial assets are written off to the extent that there is no realistic prospect of recovery.



## Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2012

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

#### 3.6 Financial instruments (continued)

##### 3.6.5 Offsetting financial assets and financial liabilities

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

#### 3.7 Statement of cash flows

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

#### 3.8 Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from proceeds, net of tax.

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

#### 3.9 Determination of fair value

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

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

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

#### 3.10 Use of assumptions and estimates

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

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

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

Depreciation is recognised so as to write off the cost of assets over their useful lives. In making their judgement of the useful life, management have considered the effect of wear and tear and planned maintenance on the assets.

**Notes to the Annual Financial Statements (continued)**

for the year ended 31 December 2012

**3 Summary of significant accounting policies (continued)****3.11 Maintenance income and costs**

Following the industry standard and as acknowledged by legislation, heavy maintenance services are provided to successive lessees based on a whole-of-life model. Amounts received under these arrangements that relate to maintenance of future periods are included in other creditors. When maintenance services are performed, the cost of which will be recovered under these arrangements only in future periods, the future recoverable amount is included in prepayments. Revenue from maintenance services rendered is recognised when the services are provided. In all cases maintenance service costs are expensed as incurred.

**3.12 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**The Company as lessor**

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

**3.13 Provisions**

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

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

**4 Operating lease income**

	2012 £	2011 £
Rentals receivable from third parties	189,170,481	214,247,473
Early access fee	40,561,076	-
	<u>229,731,557</u>	<u>214,247,473</u>

**5 Cost of sales**

	2012 £	2011 £
Operating lease rental to European Rail Finance Limited	(107,774,009)	(125,543,819)
Prepaid rentals for the early termination of certain leases to European Rail Finance Limited	(41,637,561)	-
Depreciation	(10,508,573)	(24,808,666)
Maintenance cost	(46,065,707)	(52,963,586)
Provision for design and endemic faults	45,000	44,483
	<u>(205,940,850)</u>	<u>(203,271,588)</u>

**6 Finance income**

	2012 £	2011 £
Interest receivable from Eversholt Rail (UK) Ltd	<u>553,367</u>	<u>169,087</u>



## Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2012

### 7 Finance expense

	2012 £	2011 £
Interest payable to Eversholt Rail (UK) Ltd	(193,158)	(108,033)
Interest payable to Eversholt Funding plc	(3,196,187)	(3,058,594)
Finance charges payable to Eversholt Funding plc	(138,799)	(476,247)
Other interest	(9,716)	-
	<u>(3,537,860)</u>	<u>(3,642,874)</u>

### 8 Administrative expenses

Administrative expenses include the following:

	2012 £	2011 £
Management fees	(2,450,000)	(2,450,000)
Fees payable to the company's auditor for the audit of the company's annual accounts	(15,607)	(15,607)
Fees payable to the company's auditor and its associates for other services		
- Taxation services	(8,000)	-

The Company has no employees and hence no staff costs (year ended 31 December 2011: nil)

### 9 Directors' emoluments

Three of the directors have been remunerated by Eversholt Rail (UK) Limited. No specific charge has been made to the Company in this regard.

No other director received any remuneration from the Group.

### 10 Income tax

	2012 £	2011 £
<b>Current tax</b>		
Tax on current year profit	(21,859,229)	(21,723,961)
Adjustments in respect of prior years	(529,258)	15,734
<b>Total current tax</b>	<u>(22,388,487)</u>	<u>(21,708,227)</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	21,023,830	26,051,583
Adjustment in respect of prior years	495,100	(14,323)
<b>Total deferred tax</b>	<u>21,518,930</u>	<u>26,037,260</u>
<b>Income tax</b>	<u>(869,557)</u>	<u>4,329,033</u>

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

	2012 £	2011 £
Taxation at corporation tax rate of 24.4% (2011: 26.5%)	(5,093,208)	(1,316,246)
Change in tax rate	4,257,891	5,643,868
Adjustment in respect of prior period liabilities	(34,160)	1,411
Adjustment in respect of current tax charge	(80)	-
<b>Income tax</b>	<u>(869,557)</u>	<u>4,329,033</u>



**Notes to the Annual Financial Statements (continued)**  
for the year ended 31 December 2012

## 11 Dividends

For the year ended 31 December 2012 no dividend has been paid or declared (31 December 2011 : nil).

## 12 Property, plant and equipment

	<b>Rolling stock and other railway assets £</b>
<b>Cost</b>	
Balance at 1 January 2011	276,497,575
Additions	5,268,406
<b>Balance at 31 December 2011</b>	<b>281,765,981</b>
Additions	2,453,857
Disposals	(3,387,111)
<b>Balance at 31 December 2012</b>	<b>280,832,727</b>
<b>Depreciation</b>	
Balance at 1 January 2011	21,932,530
Charge for the year	24,808,666
<b>Balance at 31 December 2011</b>	<b>46,741,196</b>
Charge for the year	10,508,574
Disposals	(1,021,581)
<b>Balance at 31 December 2012</b>	<b>56,228,189</b>
<b>Net carrying value</b>	
<b>Carrying value at 31 December 2012</b>	<b>224,604,538</b>
Carrying value at 31 December 2011	235,024,785

During the year assets were disposed of for £4,972,000 (year ended 31 December 2011: £203,000). These assets had a carrying value of £2,365,530 (year ended 31 December 2011: nil).

The cost of tangible fixed assets at 31 December 2012 includes capitalised interest of £331,472 (year ended 31 December 2011: £219,608). The capitalisation rate used is the rate of interest attaching to the Company's borrowings attributable to the acquisition of rolling stock.

Rolling stock has been pledged to secure borrowings of the Group (refer note 18). The Company is not permitted to pledge these assets as security for other borrowings and is restricted in its ability to sell them.

## 13 Trade and other receivables

	<b>2012 £</b>	<b>2011 £</b>
Receivable no later than one year:		
Trade receivables	137,115	1,748,814
Prepayments	408,334	408,334
	<b>545,449</b>	<b>2,157,148</b>
Receivable later than one year:		
Maintenance prepayment	<b>3,986,420</b>	8,276,886

**Notes to the Annual Financial Statements (continued)**

for the year ended 31 December 2012

**14 Investments in subsidiaries**

	2012 £	2011 £
<b>At Cost</b>		
At 1 January and 31 December	<u>34,348,449</u>	<u>34,348,449</u>

The principal subsidiary undertakings of the Company at the end of the reporting period were:

Name of Undertaking	Class of Capital	Country of Incorporation	Type of business	Ownership Percentage 2012	Ownership Percentage 2011
Eversholt Rail Holdings (UK) Limited	Ordinary Shares	England	Investment	100	100
Eversholt Rail (UK) Limited*	Ordinary Shares	England	Management support	100	100
Eversholt Depot Finance (UK) Limited*	Ordinary Shares	England	Leasing	100	100
Eversholt Rail (365) Limited*	Ordinary Shares	England	Leasing	100	100
Eversholt Rail (380) Limited*	Ordinary Shares	England	Leasing	100	100

*\*Indirect subsidiaries***15 Finance lease receivables**

	2012 £	2011 £
<b>Gross investment in finance leases</b>		
Amounts falling due:		
No later than one year	<u>1,765</u>	29,912
<b>Gross investment in finance leases</b>	<u>1,765</u>	29,912
Unearned finance income	-	(831)
<b>Net investment in finance leases</b>	<u>1,765</u>	<u>29,081</u>

**Present value of minimum lease receivables**

Amounts falling due: within a year	<u>1,765</u>	29,081
Fair value of amounts receivable under finance leases	<u>1,765</u>	28,707
Aggregate finance lease rentals receivable in the year	<u>1,765</u>	21,740

Finance lease receivables are accounted for as loans and receivables at cost.

The fair value of floating rate finance lease receivables is not considered to be significantly different from the carrying value.

The fair value of fixed rate finance lease receivables is calculated by discounting future minimum lease receivables, using equivalent current interest rates.

The maximum exposure to credit risk of finance lease receivables for the current and prior periods is the carrying amount. The finance lease receivables are not past due and not impaired in the current and prior period.

**Notes to the Annual Financial Statements (continued)**

for the year ended 31 December 2012

**16 Loan Receivable**

	2012 £	2011 £
Eversholt Rail (UK) Limited	<u>834,434</u>	<u>19,155,967</u>

The loan made to Eversholt Rail (UK) Limited is unsecured, has no fixed repayment date and is repayable on demand. Interest is charged at Libor plus 1.75% (year ended 31 December 2011: Libor plus 1.7%).

**17 Trade and other payables**

	2012 £	2011 £
Rentals received in advance	11,315,436	11,411,240
Trade payables	2,451,581	1,703,343
Other payables	78,849	68,196
Value added tax	1,824,692	4,295,131
	<u>15,670,558</u>	<u>17,477,910</u>

**18 Borrowings**

	Current £	Non-current £	Total £
<b>31 December 2012</b>			
Eversholt Funding plc		58,916,271	58,916,271
Bank loan	-	5,331,471	5,331,471
	-	<u>64,247,742</u>	<u>64,247,742</u>
<b>31 December 2011</b>			
Eversholt Funding plc	23,555,415	37,221,954	60,777,369
Eversholt Investment Limited	9,348,449	-	9,348,449
European Rail Finance Holdings Limited	25,000,000	-	25,000,000
Bank loan	-	5,219,608	5,219,608
	<u>57,903,864</u>	<u>42,441,562</u>	<u>100,345,426</u>

The loan from Eversholt Funding plc is repayable in line with the repayment terms on Eversholt Funding plc's own external debt. According to these terms, nothing is payable on demand (31 December 2011: £23,555,415), £11,570,952 is repayable in 2016 (31 December 2011: nil), £10,151,442 is repayable in 2020, (31 December 2011: £10,151,442) £13,535,256 is repayable in 2025 (31 December 2011: £13,535,256) £13,535,256 is repayable between 2024 and 2035, (31 December 2011: £13,535,256), £10,123,365 is repayable in 2036 (31 December 2011: nil).

The loans from Eversholt Investment Limited and European Rail Finance Holdings Limited were unsecured, interest free, had no fixed repayment terms and were therefore considered technically repayable on demand.

**19 Provisions**

	2012 £	2011 £
Payable no later than one year:		
Engineering costs	<u>55,000</u>	<u>100,000</u>

Provision for engineering costs relates to the cost of endemic faults to rolling stock. The projects to rectify these faults are ongoing and are expected to be completed within the next year.

	2012 £	2011 £
Balance at beginning of the year	100,000	301,411
Utilised	-	(156,928)
Provision reversed	(45,000)	(44,483)
Balance at the end of the year	<u>55,000</u>	<u>100,000</u>



**Notes to the Annual Financial Statements (continued)**

for the year ended 31 December 2012

**20 Deferred tax liability**

	2012 £	2011 £
Leasing transactions temporary differences:		
Balance at beginning of the year	65,438,442	91,475,702
Income statement credit	<u>(21,518,930)</u>	<u>(26,037,260)</u>
Balance at end of the year	<u>43,919,512</u>	<u>65,438,442</u>

Leasing transactions temporary differences relate principally to accelerated capital allowances and depreciation.

The Autumn Statement on 5 December 2012 announced that the UK corporation tax rate will reduce to 21% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively.

This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

Since only the change in the rate to 23% had been substantively enacted at the statement of financial position date, the effect of this change only is included in these financial statements.

It has not yet been possible to quantify the full anticipated effect of the announced further 1% rate reduction, although this will further reduce the Company's future current tax charge and reduce the Company's deferred tax liability.

**21 Deferred Revenue**

Money received in relation to future maintenance costs are deferred and released when these costs are incurred.

	2012 £	2011 £
Current	<u>421,514</u>	<u>9,015,024</u>
Non-current	<u>44,652,014</u>	<u>27,684,533</u>

The deferred revenue arises in respect of the Company's obligations in respect of maintenance contracts in certain leases.

**22 Share capital**

	2012 £	2011 £
<b>Authorised, allotted, called up and fully paid</b>		
50,000,002 Ordinary shares of £1 each	<u>50,000,002</u>	<u>50,000,002</u>

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

**23 Capital commitments**

	2012 £	2011 £
In respect of capital expenditure	<u>5,297,000</u>	<u>5,959,063</u>

## Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2012

### 24 Financial Instruments

The Company has exposure to the following types of risk arising from its use of financial instruments: credit risk, liquidity risk and market risk. Market risk includes interest rate risk and foreign exchange risk. In addition the Company is exposed to residual value risk from its ownership of rail assets.

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

#### 24.1 Residual value risk

One of the key drivers of the Company's ability to generate the desired return from its assets is the management of residual value risk. This risk arises from operating lease transactions to the extent that the values recovered from re-letting assets at the end of the current lease terms (the "residual values") differ from those projected at the inception of the leases. The Company regularly monitors residual value exposure by reviewing the recoverability of the residual value projected at lease inception. This entails considering the potential to re-let at the end of their current lease terms. Provision is made to the extent that the carrying values of leased assets are impaired through residual values not being fully recoverable.

#### 24.2 Capital risk management

The Board actively monitors the capital structure of the Company to ensure that the Company is able to continue as going concern. Consideration is given to the availability, cost and risks associated with each class of capital and to maximising the return to stakeholders through the optimisation of the debt to equity ratio.

The capital structure of the Company consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

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

The Board formally reviews the capital structure on a semi-annual basis and reviews capital distribution. As part of this review the Board considers the cost of capital and the risks associated with each class of capital. The Board actively monitors the cost and availability of funding.

#### 24.3 Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty fails to meet its obligations under a contract. It arises principally from lease receivables.

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

No lease receivables are past their due date.

#### 24.4 Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company monitors its cash flow requirements on a daily basis and compares expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. The Company borrows funds from another Group entity to meet any shortfall. Conversely, the Company lends any surplus funds to other Group entities.

The Company's assets, net of deferred tax, are funded principally by borrowings from another Group entity.



**Notes to the Annual Financial Statements (continued)**

for the year ended 31 December 2012

**24 Financial Instruments (continued)****24.4 Liquidity risk management (continued)**

Undiscounted cash flows payable to meet financial liabilities are analysed below by their contractual due date:

	Carrying value £	Contractual cash flows £	On demand £	Due within 1 year £	Due between 1-5 years £	Due after 5 years £
<b>31 December 2012</b>						
<b>Financial assets</b>						
Loans and receivables						
- Finance lease receivables	1,765	1,765	-	1,765	-	-
- Loans receivable	834,434	834,434	834,434	-	-	-
- Trade and other receivables	4,531,869	4,531,869	-	4,531,869	-	-
	<u>5,368,068</u>	<u>5,368,068</u>	<u>834,434</u>	<u>4,533,634</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>						
Non-derivative instruments – amortised cost						
- Trade and other payables	(15,670,558)	(15,670,558)	-	(15,670,558)	-	-
- Current taxation	(10,927,554)	(10,927,554)	-	(10,927,554)	-	-
- Borrowings	(64,247,742)	(110,290,687)	-	(3,295,790)	(25,155,809)	(81,839,088)
	<u>(90,845,854)</u>	<u>(136,888,799)</u>	<u>-</u>	<u>(29,893,902)</u>	<u>(25,155,809)</u>	<u>(81,839,088)</u>
<b>Total financial instruments</b>	<u>(85,477,786)</u>	<u>(131,520,731)</u>	<u>834,434</u>	<u>(25,360,268)</u>	<u>(25,155,809)</u>	<u>(81,839,088)</u>
<b>31 December 2011</b>						
<b>Financial assets</b>						
Loans and receivables						
- Finance lease receivables	29,081	29,081	-	29,081	-	-
- Trade and other receivables	10,434,033	10,434,033	-	10,434,033	-	-
- Loans receivable	19,155,967	19,155,967	19,155,967	-	-	-
	<u>29,619,082</u>	<u>29,619,082</u>	<u>19,155,967</u>	<u>10,463,115</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>						
Non-derivative instruments – amortised cost						
- Trade and other payables	(17,477,910)	(17,477,910)	-	(17,477,910)	-	-
- Current taxation	(14,425,198)	(14,425,198)	-	(14,425,198)	-	-
- Borrowings	(100,345,426)	(132,929,715)	(57,903,863)	(2,365,557)	(9,442,838)	(63,217,457)
	<u>(132,248,534)</u>	<u>(164,832,823)</u>	<u>(57,903,863)</u>	<u>(34,268,665)</u>	<u>(9,442,838)</u>	<u>(63,217,457)</u>
<b>Total financial instruments</b>	<u>(102,629,452)</u>	<u>(135,213,741)</u>	<u>(38,747,896)</u>	<u>(23,805,550)</u>	<u>(9,442,838)</u>	<u>(63,217,457)</u>

Intercompany loans with a carrying value of £47,345,318 (31 December 2011: £37,221,955) have a fair value of £55,914,388 (31 December 2011: £41,400,704) and would fall into the level one group. There are no material differences between the carrying value and the fair value of other financial assets and liabilities as at 31 December 2012 (31 December 2011: nil).

**24.5 Market risk management****24.5.1 Foreign currency risk**

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



**Notes to the Annual Financial Statements (continued)**

for the year ended 31 December 2012

**24 Financial Instruments (continued)****24.5 Market risk management (continued)****24.5.2 Interest rate risk**

The Company has exposure to fluctuations in interest rates. This exposure is managed at a Group level through the use of interest rate swaps. The cash benefit derived from the use of swaps is taken into account in determining the interest charged on loans to and from other Group entities.

	2012 £	2011 £
<b>Fixed rate instruments</b>		
Financial liabilities	<u>(64,247,742)</u>	<u>(100,345,426)</u>
<b>Variable rate instruments</b>		
Financial assets	834,434	19,155,967
Financial liabilities	-	(9,717,305)
	<u>834,434</u>	<u>9,438,662</u>

**24.5.3 Interest rate Sensitivity Analysis**

The impact of a 50 basis points increase in LIBOR would have resulted in an increase in interest expense of £6,918 on unhedged debt offset by an increase in intercompany working capital interest received of £24,848.

**25 Operating lease arrangement**

The group as lessor

At the reporting date, the Company had contracted with lessees for the following future minimum lease payments.

	2012 £	2011 £
Within one year	199,466,179	167,500,996
2-5 years	156,128,831	268,279,222
Over 5 years	898,860	2,293,975
	<u>356,493,870</u>	<u>438,074,193</u>
Aggregate operating lease rentals receivable in the year	<u>143,111,578</u>	<u>161,510,053</u>

Future minimum lease payments payable to group undertakings under non-cancellable operating leases:

	2012 £	2011 £
No later than one year	116,144,039	99,056,753
Later than one year and no later than five years	100,529,358	158,461,310
Later than five years	804,412	2,038,856
	<u>217,477,809</u>	<u>259,556,919</u>
Aggregate operating lease rentals payable during the year	<u>149,411,570</u>	<u>125,543,819</u>

## Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2012

### 26. Related-party transactions

#### 26.1 Identity of related parties

The Company has a related party relationship with its directors (refer page 3) and with its fellow group undertakings of the Eversholt Rail Group, namely:

- European Rail Finance Holdings Limited
- Eversholt Investment Limited
- European Rail Finance Limited
- Eversholt Rail Holdings (UK) Limited
- Eversholt Finance Holdings Limited
- Eversholt Funding Plc
- Eversholt Rail (UK) Limited
- Eversholt Depot Finance (UK) Limited
- Eversholt Rail (380) Limited
- Eversholt Rail (365) Limited
- European Rail Finance (2) Limited

The ultimate parent undertaking (which is the ultimate controlling party) is Eversholt Investment Group (Luxembourg) Sarl. The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is Eversholt Investment Limited.

The immediate holding company is European Rail Finance Holdings Limited. The result of the Company is included in the group financial statements of Eversholt Investment Limited.

Copies of the group financial statements may be obtained from the following address:

Block 4  
Harcourt Centre  
Harcourt Road  
Dublin 2  
Ireland

#### 26.2 Transactions with related parties

The Company has loans with related parties, more fully described in notes 15 and 17. Interest on the loans is more fully described in notes 5 and 6.

The Company paid management fees to Eversholt Rail (UK) Ltd of £2,450,000 (year ended 31 December 2011: £2,450,000).

The Company leases assets from European Rail Finance Limited. The operating lease expense of £149,411,570 is included in cost of sales (year ended 31 December 2011: £125,543,819)

The Company has paid Eversholt Rail (UK) Ltd £46,065,707 for the procurement of maintenance of the rolling stock (year ended 31 December 2011: £52,963,587).

Included in trade and other receivables is a prepayment from Eversholt Rail (UK) Limited of £408,333 (year ended 31 December 2011: £408,333)

## Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2012

### 26. Related-party transactions (continued)

#### 26.2 Transactions with related parties (continued)

The Directors held the following interests in Eversholt Investment Group (Luxembourg) SarL:-

<b>Preferred Equity Certificates</b>	<b>GC Love</b>	<b>MB Kenny</b>	<b>SF Purves</b>
Certificates subscribed	174,214	199,675	147,982
Certificates redeemed	(10,948)	(12,548)	(9,299)
<b>Certificates held at 31 December 2011</b>	<b>163,266</b>	<b>187,127</b>	<b>138,683</b>
Certificates redeemed	(23,594)	(27,044)	(20,033)
Certificates acquired	179,306	205,543	152,147
<b>Certificates held at 31 December 2012</b>	<b>318,978</b>	<b>365,626</b>	<b>270,797</b>
<b>Ordinary shares held</b>			
<b>Shares subscribed and held at 31 December 2012</b>	<b>786</b>	<b>901</b>	<b>667</b>
Shares subscribed and held at 31 December 2011	786	901	667

### 27. Contingent liabilities

There were no contingent liabilities for the Company at 31 December 2012.

### 28. Subsequent events

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