European Rail Finance Holdings Limited

Annual Financial Statements

For the year ended 31 December 2011

Registered No: IR443562

Annual financial statements
for the year ended 31 December 2011

Contents

Directors' report
for the year ended 31 December 2011

Principal activities

The Company's principal activities are leasing and to operate as an investment holding company. The Company forms part of the Eversholt Rail Group ("ERG" or "Group") more fully described in note 19.

Business review

During the year, the Company continued to operate as an investment holding company. All finance lease assets were sold to European Rail Finance Limited in October 2011.

The business is funded by equity and borrowings from Group undertakings and preference share capital. The Company has no employees.

Risk management

The Company is subject to the risk management objectives and policies of the Group. These objectives, together with an analysis of the exposure to such risks, are set out in note 18 of the financial statements.

The principal business risks for the Company are in respect of the credit risk of fellow group undertakings with which the Company has loan accounts and the risk of diminution in the value of investments in its subsidiaries.

Performance

The Company's results for the year are as detailed in the income statement on page 7.

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

Future developments

No significant developments are currently anticipated.

Dividends

The Directors do not recommend the payment of a dividend in respect of ordinary shares for the year ended 31 December 2011. (2010: £2,000,000).

Going concern basis

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

Directors

The Directors who served during the period were as follows:

Name

B T Hayden
C Cullen
M Walsh

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. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the Directors. The Directors have no interests in the share capital of the Company.

Directors' report

for the year ended 31 December 2011

Capital management

The Company is not subject to externally imposed capital requirements and is dependent on the Eversholt Rail 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 auditors

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.

Accounting records

The Directors believe that they have complied with the requirements of section 202 of the Companies Act, 1990 with regard to books of account by employing a service provider, which has appropriate expertise and provides adequate resources to the financial function. The books of account of the Company are maintained primarily by Eversholt Rail (UK) Limited, 210 Pentonville Road, London N1 9JY.

Auditors

In accordance with section 160(2) of the Companies Act 1963, the auditors, KPMG Chartered Accountants will continue in office.

Directors' report
for the year ended 31 December 2011

Directors' responsibility and approval of the annual financial statements

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law, the Directors have elected to prepare the financial statements in accordance with applicable Company Law and International Financial Reporting Standards ('IFRSs') as adopted by the EU. The Company's financial statements are required by law to give a true and fair view of the state of affairs of the Company and of its profit or loss for the 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; 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 proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2009. They are also responsible 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 also responsible for preparing a Directors' Report that complies with the requirements of the Companies' Acts 1963 to 2009.

These financial statements have been approved by the Board of Directors on 16 February 2012 and were signed on its behalf by:

C Cullen
Director

M Walsh
Director

Registered Office:
Regus House
Harcourt Centre
Harcourt Road
Dublin 2
Ireland

Independent Auditor’s Report to the Members of European Rail Finance Holdings Limited

for the year ended 31 December 2011

We have audited the financial statements of European Rail Finance Holdings Limited for the year ended 31 December 2011 which comprise the Income statement, Statement of comprehensive income, Statement of financial position, Statement of cash flows, Statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company’s members, as a body, in accordance with section 193 of the Companies Act 1990. 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 auditors

The Statement of Directors’ responsibilities on page 4 sets out the directors’ responsibilities for preparing the Directors’ report and the financial statements in accordance with applicable law and International Financial Reporting Standards (‘IFRSs’) as adopted by the EU.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts 1963 to 2009. We also report to you, in our opinion whether proper books of account have been kept by the company; whether at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the company; and whether the information given in the Directors’ report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit, and whether the company’s financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors’ remuneration and directors’ transactions is not disclosed and, where practicable, include such information in our report.

We read the Directors’ report and consider implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company’s affairs as at 31 December 2011 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2009.

Independent Auditor's Report to the Members of European Rail Finance Holdings Limited (continued)

for the year ended 31 December 2011

Other matters

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the Directors' report is consistent with the financial statements.

The net assets of the company, as stated in the statement of financial position are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2011 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

Paul Dobey

for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place, IFSC, Dublin, Ireland

16 February 2012

Income statement
for the year ended 31 December 2011

	Notes	2011 £	2010 £
Revenue			
Finance income	4	**546,600**	210,756
Finance expense	5	**(1,855,722)**	(966,725)
		(1,309,122)	(755,969)
Dividend income	9	**1,850,000**	2,200,000
Profit on disposal of assets		**53,500**	-
Administrative expenses	6	**(10,741)**	(2)
Profit before tax		**583,637**	1,444,029
Income tax expense	7	**(5,789)**	(10,268)
Profit for the period		**577,848**	1,433,761

There were no discontinued or discontinuing operations during the period.

Statement of comprehensive income
for the year ended 31 December 2011

There has been no comprehensive income and expense other than the profit for the year as shown above (2010: nil).

The financial statements were approved by the board of directors and authorised for issue on 16 February 2012. They were signed on its behalf by:

C Cullen
Director

Michael Walsh
M Walsh
Director

Company registration number IR443562

Statement of financial position
for the year ended 31 December 2011

	Notes	2011 £	2010 £
Asset			
Non-current assets			
Finance lease receivables	8	-	10,028,565
Investment in subsidiaries	9	**236,010,501**	236,010,501
		236,010,501	246,039,066
Current assets			
Loan receivables	10	**27,272,562**	25,000,000
Trade and other receivables	11	-	1,750,000
Current tax assets		-	15,417
		27,272,562	26,765,417
Total assets		**263,283,063**	272,804,483
Liabilities and equity			
Current liabilities			
Trade and other payables	12	**2,244,896**	153,108
Borrowings	13	**86,010,500**	98,191,928
Current tax liabilities		**16,057**	-
		88,271,453	98,345,036
Non-current liabilities			
Borrowings	13	**74,500,000**	74,500,000
Deferred tax	14	-	25,685
		74,500,000	74,525,685
Total liabilities		**162,771,453**	172,870,721
Equity			
Share capital	15	**500,001**	500,001
Capital contribution		**100,000,000**	100,000,000
Retained earnings		**11,609**	(566,239)
Total equity		**100,511,610**	99,933,762
Total equity and liabilities		**263,283,063**	272,804,483

The financial statements were approved by the board of directors and authorised for issue on 16 February 2012. They were signed on its behalf by:

C Cullen
Director

M Walsh
Director

Company registration number IR443562

Statement of cash flows
for the year ended 31 December 2011

	Notes	2011 £	2010 £
Net cash flow generated by/ (utilised in) operating activities	16	**15,487,860**	(10,181,429)
Investing activities			
Acquisition of investment in subsidiary		**-**	(86,010,500)
Loan made to subsidiary expenses		**-**	(25,000,000)
Proceeds on disposal of property, plant and equipment		**53,500**	-
Net cash generated by/(utilised in) investing activities		**53,500**	(111,010,500)
Financing activities			
Interest received on bank account		**-**	1
Loans repaid		**(10,028,566)**	-
Loans raised		**-**	98,191,928
Loans made to fellow group undertaking		**(4,425,424)**	-
Preference dividends paid		**(1,087,370)**	-
Dividends paid on ordinary shares		**-**	(2,000,000)
Proceeds from preference share capital issued		**-**	25,000,000
Net cash (utilised in)/generated by financing activities		**(14,401,053)**	121,191,929
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 2011

	Called up share capital £	Capital contribution £	Retained earnings £	Total shareholders' equity £
Balance at 1 January 2010	50,000,001	100,000,000	-	150,000,001
Reduction in share capital	(49,500,000)	-	-	(49,500,000)
Profit for the year	-	-	1,433,761	1,433,761
Dividends to shareholders	-	-	(2,000,000)	(2,000,000)
At 31 December 2010	**500,001**	**100,000,000**	**(566,239)**	**99,933,762**
Profit for the year	**-**	**-**	**577,848**	**577,848**
Balance at 31 December 2011	**500,001**	**100,000,000**	**11,609**	**100,511,610**

Notes to the Annual Financial Statements
for the year ended 31 December 2011

1. General Information

European Rail Finance Holdings Limited is a company domiciled and incorporated in the Republic of Ireland under the Companies Act. The registered office of the Company is Regus House, Harcourt Centre, Harcourt Road, Dublin 2. The principal activities of the Company are set out on page 2.

2. Basis of Preparation

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

2.1 Compliance with International Financial Reporting Standards

The financial statements of the Company 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 2011, there were no unendorsed standards effective for the year ended 31 December 2011 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 2011 are prepared in accordance with IFRSs as issued by the IASB and endorsed by the EU.

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

2.2 Standards and Interpretations issued by the IASB

At 31 December 2011 a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for the financial statements of the Company. These include the following Standards which are relevant to the financial statements.

2.2.1 IFRS 9 Financial Instruments

In November 2009, the IASB issued IFRS 9 'Financial Instruments' ('IFRS 9'). This introduced new requirements for the classification and measurement of financial assets. In October 2010, the IASB issued additions to IFRS 9 dealing with financial liabilities. These represent the first instalments in the IASB's planned phased replacement of IAS 39 'Financial Instruments: Recognition and Measurement' ('IAS 39') with a less complex and improved standard for financial instruments. In August 2011 the IASB issued an exposure draft proposing to change the effective date of the statement to periods beginning on or after 1 January 2015 rather than 1 January 2013 as is currently indicated in the Standard. IFRS 9 is subject to EU endorsement, the timing of which is uncertain. Accordingly, ERG is unable to provide a date by which it plans to apply IFRS 9. The next steps in the IASB's project will address the impairment of financial assets measured at amortised cost and hedge accounting. In addition, the IASB is working with the US Financial Accounting Standards Board to reduce inconsistencies between US GAAP and IFRS in accounting for financial instruments. The impact of IFRS 9 may change as a consequence of further developments resulting from the IASB's financial instruments project. As a result, it is impracticable to quantify the impact of IFRS 9 as at the date of publication of these financial statements.

2.2.2 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 financial statements.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2011

2. Basis of Preparation (continued)

2.2 Standards and Interpretations issued by the IASB (continued)

2.2.3 IAS 1 Presentation of Financial Statements

The amendment to IAS 1 requires items that may be reclassified to the profit and loss section of the income statement to be grouped together in the Statement of other comprehensive income to facilitate the assessment of their impact on the overall performance of the Company. This amendment is effective for the annual periods beginning on or after 1 July 2012 and is not expected to have an impact on the current presentation of financial statements.

No other standards or interpretations available for early adoption are expected to have a significant effect on the results or net assets of the Company when adopted.

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 Interest income and expense

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

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

3.2 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 period, 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 2011

3. Summary of significant accounting policies (continued)

3.2 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. Deferred tax assets and liabilities are offset when they arise in the same tax reporting group and relate to income taxes levied by the same taxation authority, and when the Company has a legal right to offset.

3.3 Foreign currencies

Transactions in foreign currencies are recorded in the functional currency at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the end of the reporting period. Any resulting exchange differences are included in the income statement.

Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined.

3.4 Dividend income

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

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.

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.

3.6.1 Financial assets

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.

3.6.2 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.

3.6.3 Cash and cash equivalents

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

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2011

3. Summary of significant accounting policies (continued)

3.6 Financial instruments (continued)

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.

3.6.5 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.

3.6.6 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.

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

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2011

3. Summary of significant accounting policies (continued)

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

There are no accounting policies that are deemed critical to the Company's results and financial position, in terms of materiality of the items to which the policy is applied, which involve a high degree of judgement and estimation.

3.11 Preference shares

Preference shares are classified as a non-current liability as the holder of these shares has a fixed entitlement to a dividend. The dividend payable is recorded within finance expense.

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.

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.

4. Finance income

	2011	**2010**
	£	**£**
Interest income from group undertaking	**-**	102,613
Interest income on finance lease with European Rail Finance Limited	**546,600**	108,143
	546,600	210,756

Notes to the Annual Financial Statements (continued)
for the year ended 31 December 2011

5. Finance expense

	2011 £	2010 £
Interest payable to Eversholt Rail (UK) Limited	**(2,677)**	(8,563)
Interest payable to European Rail Finance Limited	**(546,600)**	(108,143)
Dividend on profit participating preference share	**(645,307)**	(445,971)
Dividend on fixed rate preference share	**(495,000)**	(392,141)
Finance charges payable to Eversholt Funding Plc	**(166,138)**	(11,907)
	(1,855,722)	(966,725)

6. Administrative expense

Administrative expenses include the following:	2011 £	2010 £
Auditor's remuneration		
- Audit of the Company's financial statements	**(4,107)**	-
- Taxation services	**(1,182)**	-
Foreign exchange gain	**44**	-

The Company has no employees and hence no staff costs (31 December 2010: nil).

During the prior year, Auditors remuneration was paid by another Group entity. No other fees were paid to the Auditor.

Certain directors have been paid by another group undertaking. No specific charge has been made to the Company in this regard.

7. Income tax expense

		2011 £	2010 £
Current tax			
- On current year profit		**(16,057)**	15,417
- On prior year profit		**(15,417)**	-
		(31,474)	15,417
Deferred tax			
Origination of temporary differences	***14***		
- On current year profit		**10,268**	(25,685)
- On prior year profit		**15,417**	-
		25,685	(25,685)
Total income tax expense		**(5,789)**	(10,268)

The Irish corporation tax rate applying to the Company was 12.5% (31 December 2010: 12.5%).

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

	2011 £	2010 £
Taxation at corporation tax rate of 12.5%	**(72,955)**	(180,504)
Amounts not deductible for tax purposes	**(142,538)**	(104,764)
Income not taxable	**231,250**	275,000
Value based relief – prior year	**(13,517)**	-
Value based relief – current year	**(8,029)**	-
Income tax expense	**(5,789)**	(10,268)

Notes to the Annual Financial Statements (continued)
for the year ended 31 December 2011

8. Finance lease receivables

	2011 £	2010 £
Gross investment in finance leases		
Amounts falling due:		
No later than one year	-	533,342
Later than one year and no later than five years	-	3,583,776
Later than five years	-	14,375,402
Gross investment in finance leases	-	18,492,520
Unearned finance income	-	(8,463,955)
Net investment in finance leases		10,028,565
Amortisation of net finance lease receivables		
Amounts falling due:		
No later than one year		-
Later than one year and no later than five years	-	898,142
Later than five years	-	9,130,423
	-	10,028,565
Fair value of amounts receivable under finance leases	-	9,797,242
Aggregate finance lease rentals receivable in the year	**400,207**	79,578

All finance lease assets were sold to European Rail Finance Limited in October 2011.

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

These are accounted for as loans and receivables, at amortised cost.

9. Investments in subsidiaries

	2011 £	2010 £
Cost		
Balance at beginning of the year	**236,010,501**	150,000,001
Additions	-	86,010,500
At 31 December	**236,010,501**	236,010,501

Notes to the Annual Financial Statements (continued)
for the year ended 31 December 2011

9. Investments in subsidiaries (continued)

The 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 2011	Ownership Percentage 2010
European Rail Finance Limited	Ordinary Shares	Ireland	Leasing	100	100
European Rail Finance (GB) Limited	Ordinary Shares	England	Leasing	100	100
Eversholt Rail Holdings (UK) Limited*	Ordinary Shares	England	Investment	100	100
Eversholt Rail (UK) Limited*	Ordinary Shares	England	Management services	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
Eversholt Finance Holdings Limited	Ordinary Shares	England	Investment	100	100
Eversholt Funding Plc*	Ordinary Shares	England	Provision of finance	100	100

*Indirect subsidiaries

During the year, the Company received dividend income of £1,850,000 from European Rail Finance Limited (31 December 2010: £2,200,000)

10. Loans Receivable

	2011 £	2010 £
European Rail Finance (GB) Ltd	**25,000,000**	25,000,000
Eversholt Rail (UK) Ltd	**2,272,562**	-
	27,272,562	25,000,000

The loan to Eversholt Rail (UK) Limited is unsecured, has no fixed date for repayment and is therefore technically repayable on demand. Interest is charged at Libor plus 1.75% (31 December 2010: Libor plus 2.25%).

The loan to Eversholt Rail Finance (GB) Limited is unsecured, has no fixed date for repayment and is therefore technically repayable on demand. The loan is interest free.

11. Trade and other receivables

	2011 £	2010 £
Receivables due no later than one year:		
Other receivables	**-**	1,750,000

Notes to the Annual Financial Statements (continued)
for the year ended 31 December 2011

12. Trade payables

	2011	2010
	£	£
Trade payables	**2,034,744**	-
Accrued interest on preference shares	**206,044**	153,108
Accruals	**4,108**	-
	2,244,896	153,108

13. Borrowings

	No later than one year	Later than one year	Total
	£	£	£
31 December 2011			
European Rail Finance Limited	**85,960,000**	**-**	**85,960,000**
Profit participating preference shares	**-**	**25,000,000**	**25,000,000**
Fixed rate preference shares	**-**	**49,500,000**	**49,500,000**
Eversholt Investment Limited	**50,500**	**-**	**50,500**
	86,010,500	**74,500,000**	**160,510,500**
31 December 2010			
European Rail Finance Limited	95,983,565	**-**	95,983,565
Eversholt Rail (UK) Limited	2,152,863	**-**	2,152,863
Fixed rate preference shares	-	49,500,000	25,000,000
Profit participating preference shares	-	25,000,000	49,500,000
Eversholt Investment Limited	50,500	-	50,500
	98,191,928	74,500,000	172,686,928

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

The fixed rate preference shares being £49,500,000 fixed rate preference shares of £1 each, are held by Eversholt Investment Limited. Dividends are paid annually at a rate of 1% per annum.

£25,000,000 profit participating shares (PPS) of £1 each carry a right to quarterly dividends. The PPS dividend element has two parts. The first part confers a right to a LIBOR based return. The second part confers a right to 0.5% of post-tax profits arising in the issuing company during the reference period.
The PPS are classified as non-current liability as the holders of these shares have a fixed entitlement to a dividend.

14. Deferred tax

	2011	2010
	£	£
Leasing transactions temporary differences:		
Balance at beginning of the year	**25,685**	-
Income statement charge/(credit)	**(25,685)**	25,685
Balance at end of the year	**-**	25,685

Deferred tax arises on leasing transactions, where temporary differences relate principally to accelerated capital allowances.

Deferred tax has been calculated at 12.5% being the rate in force at 31 December 2011 (2010: 12.5%)

Notes to the Annual Financial Statements (continued)
for the year ended 31 December 2011

15. Share capital

	2011 £	2010 £
Authorised		
50,500,000 Ordinary shares of £1 each (31 December 2010: 50,500,000)	**50,500,000**	50,500,000
Allotted, called up and fully paid		
500,001 Ordinary shares of £1 each (2010: 500,001)	**500,001**	500,001

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

16. Notes to the cash flow statement

	2011 £	2010 £
Profit before tax	**583,637**	1,444,029
Adjustments for:		
- Profit on disposal of property, plant and equipment	**(53,500)**	-
- Preference share dividend expense	**1,140,307**	153,107
Operating cash flows before changes in working capital	**1,670,444**	1,597,136
- Decrease/(increase) in finance lease receivable	**10,028,565**	(10,028,565)
- Change in other receivables	**1,750,000**	(1,750,000)
- Increase in trade and other payables	**2,038,851**	-
Cash generated by/(utilised in) operating activities	**15,487,860**	(10,181,429)

17. Fair value of financial assets and liabilities

There are no material differences between the carrying value and the fair value of financial assets and liabilities as at 31 December 2011 and 31 December 2010.

18. Risk management

Capital risk management

Exposure to credit risk, liquidity risk, and market risk arises in the normal course of the Company's business. The policies for managing all risks which are significant, together with the quantitative disclosures not already included elsewhere in the financial statements are described in this note.

The Board actively monitors the capital structure of the Company to ensure that the Company is able to continue as a going concern. Consideration is given to the 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 Company is not subject to any externally imposed capital requirements.

As part of that process, the business' management will review the monthly management accounts of the Business.

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 loan receivables.

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

Notes to the Annual Financial Statements (continued)
for the year ended 31 December 2011

18. Risk management (continued)

Capital 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.

Undiscounted cash flows payable to meet financial liabilities are analysed below by their contractual due date, including estimated interest cash flows where appropriate:

	Carrying value	Contractual cash flows	On demand	Due within 1 year	Due between 1-5 years	Due after 5 years
	£	£	£	£	£	£
31 December 2011						
Financial assets						
- Loans receivable	**27,272,562**	**27,272,562**	**27,272,562**	-	-	-
Financial liabilities Other financial instruments – amortised cost						
- Trade and other payables	**(2,244,896)**	**(2,244,896)**	**-**	**(2,244,896)**	**-**	**-**
- Current tax liabilities	**(16,057)**	**(16,057)**	**-**	**(16,057)**	**-**	**-**
- Borrowings	**(86,010,500)**	**(86,010,500)**	**(86,010,500)**	**-**	**-**	**-**
- Preference shares	**(74,500,000)**	**(74,500,000)**	**-**	**-**	**(25,000,000)**	**(49,500,000)**
	(162,771,453)	**(162,771,453)**	**(86,010,500)**	**(2,260,953)**	**(25,000,000)**	**(49,500,000)**
Total financial instruments	**(135,498,891)**	**(135,498,491)**	**(58,737,938)**	**(2,260,953)**	**(25,000,000)**	**(49,500,000)**
31 December 2010						
Financial assets						
Loans and receivables						
- Loan receivables	25,000,000	25,000,000	25,000,000	-	-	-
- Finance lease receivables	10,028,565	18,495,520	-	533,342	3,583,776	14,375,402
- Trade receivables	1,750,000	1,750,000	-	1,750,000	-	-
- Current tax asset	15,417	15,417	-	15,417		
	36,793,982	45,260,937	25,000,000	2,298,759	3,583,776	14,375,402
Financial liabilities Non-derivative Instruments – amortised Cost						
- Trade and other payables	(153,107)	(153,107)	-	(153,107)	-	-
- Current tax liabilities	-	-	-	-	-	-
- Borrowings	(98,191,928)	(98,191,928)	(98,191,928)	-	-	-
- Preferrence shares	(74,500,000)	(74,500,000)	-	-	(25,000,000)	(49,500,000)
	(172,845,035)	(172,845,035)	(98,191,928)	(153,107)	(25,000,000)	(49,500,000)
Total financial instruments	(127,584,098)	(146,079,618)	(73,191,928)	2,145,652	(21,416,224)	(35,124,598)

Preference dividends have not been included in the above table.

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2011

18. Risk management (continued)

Market risk management

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

The Company has exposure to fluctuation 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.

19. Related-party transactions

19.1 Identity of related parties

The Company has a related party relationship with its Directors (refer page 2) and with other entities in the Eversholt Rail Group namely:

- Eversholt Investment Limited
- European Rail Finance Limited
- European Rail Finance (GB) 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

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. Eversholt Investment Limited is also the immediate holding Company. The results of the Company are included in the group financial statements of Eversholt Investment Limited.

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

Regus House
Harcourt Centre
Harcourt Road
Dublin 2
Ireland

19.2 Transactions with related parties

The Company has loan accounts with fellow group undertakings more fully described in notes 10 and 13. Interest on these accounts is more fully described in note 4 and 5

The fixed rate preference dividend payable to Eversholt Investment Limited is disclosed in note 5.

The Company sold its finance lease assets to European Rail Holdings Limited for £10,147,988.

20. Contingent liabilities

There were no contingent liabilities for the Company at 31 December 2011.

21. Subsequent events

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