European Rail Finance Holdings Limited

Annual Financial Statements
for the year ended 31 December 2012

Registered No: IR443562

Annual financial statements
for the year ended 31 December 2012

Contents **Page**

Directors' report
for the year ended 31 December 2012

Principal activities

European Rail Finance Holdings Limited (the "Company") has continued with its principal activity of operating as an investment holding company. The Company forms part of the Eversholt Rail Group ("ERG" or "Group") more fully described in note 16.

Business review

During the year, the Company formed European Rail Finance (2) Limited as a directly owned subsidiary and it sold its shareholding in European Rail Finance Limited to European Rail Finance (2) Limited, a subsidiary undertaking.

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 15 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

On 23 March 2012 the Directors have declared the payment of a dividend of £125,000,000 and on 20 December 2012 declared a further dividend of £40,000,000 in respect of ordinary shares for the year ended 31 December 2012 (year ended 31 December 2011: nil). The dividends were paid during the financial year and are reflected in these financial statements.

Going concern basis

The financial statements are prepared on the 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:

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 continued
for the year ended 31 December 2012

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 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.

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.

Auditor

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

Directors' report continued
for the year ended 31 December 2012

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 2012. 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 2012.

These financial statements have been approved by the Board of Directors on 28 February 2013 and were signed on its behalf by:

C Cullen
Director

B Hayden
Director

Registered Office:
Block 4
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 2012

We have audited the financial statements ("financial statements") of European Rail Finance Holdings Limited for the year ended 31 December 2012 which comprise Income statement, Statement of comprehensive income, Statement of financial position, Statement of cash flows, Statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards ('IFRS') adopted by the European Union ('EU') and issued by the International Accounting Standards Board.

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 auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the EU, of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2012.

Matters on which we are required to report by the Companies Acts 1963 to 2012

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

The financial statements are in agreement with the books of account and, in our opinion, proper books of account have been kept by the company.

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 2012 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.

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

for the year ended 31 December 2012

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts 1963 to 2012 which require us to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.

Paul Dobey

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

28 February 2013

Income statement
for the year ended 31 December 2012

	Notes	2012 £	2011 £
Revenue			
Finance income	4	**8,891,088**	546,600
Finance expense	5	**(2,045,600)**	(1,855,722)
		6,845,488	(1,309,122)
Dividend income		**-**	1,850,000
Profit on disposal of investment		**515,125,444**	-
Profit on disposal of assets		**-**	53,500
Administrative expenses	6	**(84,168)**	(10,741)
Profit before tax		**521,886,764**	583,637
Income tax expense	7	**(3,024)**	(5,789)
Profit for the year		**521,883,740**	577,848

There were no discontinued or discontinuing operations during the year.

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

The notes on pages 11 to 21 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 28 February 2013. They were signed on its behalf by:

C Cullen
Director

B Hayden
Director

Company registration number IR443562

Statement of financial position
as at 31 December 2012

	Notes	2012 £	2011 £
Asset			
Non-current assets			
Investment in subsidiaries	8	**86,010,500**	236,010,501
Current assets			
Loan receivables	9	**446,080,423**	27,272,562
Trade and other receivables	10	**743**	-
Tax receivable		**14,332**	-
		446,095,498	27,272,562
Total assets		**532,105,998**	263,283,063
Liabilities and equity			
Current liabilities			
Trade and other payables	11	**210,648**	2,244,896
Borrowings	12	-	86,010,500
Current tax liabilities		-	16,057
		210,648	88,271,453
Non-current liabilities			
Borrowings	12	**74,500,000**	74,500,000
		74,500,000	74,500,000
Total liabilities		**74,710,648**	162,771,453
Equity			
Share capital	13	**500,001**	500,001
Capital contribution		**100,000,000**	100,000,000
Retained earnings		**356,895,349**	11,609
Total equity		**457,395,350**	100,511,610
Total equity and liabilities		**532,105,998**	263,283,063

The notes on pages 11 to 21 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 28 February 2013. They were signed on its behalf by:

C Cullen
Director

B Hayden
Director

Company registration number IR443562

Statement of cash flows
for the year ended 31 December 2012

	2012 £	2011 £
Profit before tax	**521,886,764**	583,637
Adjustments for:		
- Profit on disposal of investment	**(515,125,444)**	-
- Profit on disposal of property, plant and equipment	**-**	(53,500)
- Preference share dividend expense	**1,881,251**	1,140,307
Operating cash flows before changes in working capital	**8,642,571**	1,670,444
- Decrease in finance lease receivable	**-**	10,028,565
- (Increase)/decrease in other receivables	**(743)**	1,750,000
- (Decrease)/increase in trade and other payables	**(2,034,744)**	2,038,851
Cash flow generated by operating activities	**6,607,084**	15,487,860
Taxation paid	**(33,413)**	-
Net cash flow generated by operating activities	**6,573,671**	15,487,860
Cash flow from investing activities		
Proceeds on disposal of investment	**665,125,445**	
Proceeds on disposal of property, plant and equipment	**-**	53,500
Net cash generated by investing activities	**665,125,445**	53,500
Cash flow from financing activities		
Loans repaid	**(61,010,500)**	(10,028,566)
Movement on working capital loan account	**(443,807,861)**	(4,425,425)
Preference dividends paid	**(1,880,755)**	(1,087,370)
Dividends paid on ordinary shares	**(165,000,000)**	-
Net cash utilised in financing activities	**(671,699,116)**	(15,541,361)
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

	Called up share capital £	Capital contribution £	Retained earnings £	Total shareholders' equity £
Balance at 01 January 2011	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**
Profit for the year	-	-	521,883,740	521,883,740
Dividends paid	-	-	(165,000,000)	(165,000,000)
Balance at 31 December 2012	**500,001**	**100,000,000**	**356,895,349**	**457,395,350**

As a result of the transaction in the year the amount of £350,125,444 is non-distributable.

Notes to the Annual Financial Statements
for the year ended 31 December 2012

1. General Information

European Rail Finance Holdings Limited (the "Company"), is a company domiciled and incorporated in the Republic of Ireland under the Companies Act. The registered office of the Company is Block 4, 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 2012, there were no unendorsed standards effective for the year 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 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 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 the Company. These include the following Standards which are relevant to the 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 Company's financial assets or liabilities.

2.2.2 IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities. The statement is effective for periods beginning on or after 1 January 2013 and is not expected to have a significant impact on the information disclosed in these financial statements. IFRS 12 requires the disclosure of information about the nature, risks and financial effects of these investments.

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

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2012

2. Basis of Preparation (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 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 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.

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 Company 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 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 2012

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 2012

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 paid or received).

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

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

	2012 £	2011 £
Interest on loan account with Eversholt Rail (UK) Limited	**8,891,088**	-
Interest on finance lease with European Rail Finance Limited	**-**	546,600
	8,891,088	546,600

5. Finance expense

	2012 £	2011 £
Interest payable to Eversholt Rail (UK) Limited	**-**	(2,677)
Interest payable to European Rail Finance Limited	**-**	(546,600)
Dividend on profit participating preference shares	**(1,386,251)**	(645,307)
Dividend on fixed rate preference shares	**(495,000)**	(495,000)
Finance charges payable to Eversholt Funding Plc	**(164,349)**	(166,138)
	(2,045,600)	(1,855,722)

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

6. Administrative expense

	2012	2011
Administrative expenses include the following:	£	£
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	**(4,107)**	(4,107)
Fees payable to the company's auditor and its associates for other services		
- Other services	**(26,707)**	-
- Taxation services	**(3,229)**	(1,182)
Foreign exchange gain	**(709)**	44

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

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

	2012	2011
	£	£
Current tax		
- On current year profit	**108**	(16,057)
- On prior year profit	**(3,132)**	(15,417)
	(3,024)	(31,474)
Deferred tax		
Origination of temporary differences		
- On current year profit	**-**	10,268
- On prior year profit	**-**	15,417
	-	25,685
Total income tax expense	**(3,024)**	(5,789)

The Irish corporation tax rate applying to the Company was 12.5% (31 December 2011: 12.5%).

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

	2012	2011
	£	£
Taxation at corporation tax rate of 12.5%	**(65,235,852)**	(72,955)
Amounts not deductible for tax purposes	**-**	(142,538)
Permanent tax effects	**65,235,852**	-
Foreign exchange variance	**108**	-
Income not taxable	**-**	231,250
Prior year under provision	**(3,132)**	
Value based relief – prior year	**-**	(13,517)
Value based relief – current year	**-**	(8,029)
Income tax expense	**(3,024)**	(5,789)

8. Investments in subsidiaries

	2012	2011
	£	£
Cost		
Balance at beginning of the year	**236,010,501**	236,010,501
Disposals	**(150,000,001)**	-
At 31 December	**86,010,500**	236,010,501

Notes to the Annual Financial Statements (continued)

for the year ended 31 December 2012

8. 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 2012	Ownership Percentage 2011
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%
European Rail Finance (2) Limited	Ordinary Shares	Ireland	Investment	100%	-

*Indirect subsidiaries

During the year, the Company received no dividend income from European Rail Finance Limited (31 December 2011: £1,850,000).

9. Loans receivable

	2012	2011
	£	£
European Rail Finance (GB) Ltd	-	25,000,000
Eversholt Rail (UK) Ltd	446,080,423	2,272,562
	446,080,423	27,272,562

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 2011: Libor plus 1.75%).

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.

10. Trade and other receivables

	2012	2011
	£	£
VAT	743	-

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

11. Trade payables

	2012	2011
	£	£
Trade payables	-	2,034,744
Accrued interest on preference shares	**206,540**	206,044
Accruals	**4,108**	4,108
	210,648	2,244,896

12. Borrowings

	Current	Non - current	Total
	£	£	£
31 December 2012			
Profit participating preference shares	-	**25,000,000**	**25,000,000**
Fixed rate preference shares	-	**49,500,000**	**49,500,000**
	-	**74,500,000**	**74,500,000**
31 December 2011			
European Rail Finance Limited	85,960,000	-	85,960,000
Fixed rate preference shares	-	49,500,000	49,500,000
Profit participating preference shares	-	25,000,000	25,000,000
Eversholt Investment Limited	50,500	-	50,500
	86,010,500	74,500,000	160,510,500

The loans, from European Rail Finance Limited and Eversholt Investment Limited were unsecured, interest free, had no fixed repayment terms and were 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 are only able to recall the shares from 2015.

13. Share capital

	2012	2011
	£	£
Authorised		
50,500,000 Ordinary shares of £1 each (31 December 2011: 50,500,000)	**50,500,000**	50,500,000
Allotted, called up and fully paid		
500,001 Ordinary shares of £1 each (31 December 2011: 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.

14. 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 2012 and 31 December 2011.

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

15. 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 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 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.

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 processes encompassing credit approvals and the monitoring and reporting of exposures. Regular reviews are undertaken to assess and evaluate the financial stability of counterparties.

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.

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 2012						
Financial assets						
- Loans receivable	446,080,423	446,080,423	446,080,423	-	-	-
- Trade receivables	743	743	-	743	-	-
	446,081,166	446,081,166	446,080,423	743	-	-
Financial liabilities						
Other financial instruments – amortised cost						
- Trade and other payables	(210,648)	(210,648)	-	(210,648)	-	-
- Preference shares	(74,500,000)	(74,500,000)	-	-	(74,500,000)	-
	(74,710,648)	(74,710,648)	-	(210,648)	(74,500,000)	
Total financial instruments	371,370,518	371,370,518	446,080,423	(209,905)	(74,500,000)	-

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

15. Risk management (continued)

Liquidity risk management (continued)

	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)	(135,498,891)	(58,737,938)	(2,260,953)	(25,000,000)	(49,500,000)

Preference dividends have not been included in the above table.

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.

	2012	2011
	£	£
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	**(49,500,000)**	(49,500,000)
	(49,500,000)	(49,500,000)
Variable rate instruments		
Financial assets	**446,080,423**	27,272,562
Financial liabilities	**(25,000,000)**	(111,010,500)
	421,080,423	(83,737,938)

Interest rate sensitivity analysis

The impact of a 50 basis points increase in LIBOR would have resulted in an increase in intercompany working capital interest received of £2,071,338.

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

16. Related-party transactions

16.1 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
- 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. 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:

Block 4
Harcourt Centre
Harcourt Road
Dublin 2
Ireland

16.2 Transactions with related parties

During the year, the Company formed European Rail Finance (2) Limited as a directly owned subsidiary and it sold its shareholding in European Rail Finance Limited to European Rail Finance (2) Limited.

The Company has loan accounts with fellow group undertakings more fully described in notes 9 and 12. 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.

17. Contingent liabilities

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

18. Subsequent events

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