Eversholt Depot Finance (UK) Limited

Annual Financial Statements
for the year 31 December 2011

Registered No: 5229765

Annual Financial Statements
for the year ended 31 December 2011

Contents

Directors' report
for the year ended 31 December 2011

Principal activities

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 21.

The principal activity of the Company is to lease rail depots in the UK.

Business review

The Company continued both its operating and finance leases written in previous years.

A fellow group undertaking, Eversholt Rail (UK) Limited, provides asset management and administrative services to the Company, charging an annual management fee.

The business is funded principally by other group undertakings 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 19 of the financial statements.

Performance

The Company's results for the year 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 at a Group level and reviewed by the Directors.

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 2011 (31 December 2010: nil).

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 period were as follows:

M B Kenny
S F Purves

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 Companies Act 2006. Indemnity provisions of this nature have been in place during the financial period but have not been utilised by the Directors. The Directors have no interests in the share capital of the Company, their interests in the holding company are more fully described in note 21.

Directors' report (continued)
for the period ended 31 December 2011

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 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. This confirmation is given pursuant to Section 418 of the Companies Act 2006 and should be interpreted in accordance therewith.

Auditors

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.

Directors' responsibility and approval of the annual financial statements

for the year ended 31 December 2011

The following statement, which should be read in conjunction with the Auditor's statement of their responsibilities set out in their report on page 5, is made with a view to distinguishing, for the shareholder, the respective responsibilities of the Directors and of the Auditor in relation to the financial statements.

The Directors are responsible for preparing the Directors' Report and consolidated 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, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU.

The financial statements are required by law to present fairly the financial position and the performance of the Company; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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
- state whether they have been prepared in accordance with IFRSs as adopted by the EU.

The Directors are required to prepare the financial statements on the going concern basis unless it is not appropriate. Since the Directors are satisfied that the Company has the resources to continue in business for the foreseeable future, the financial statements continue to be prepared on the going concern basis.

The Directors are responsible for ensuring that sufficient accounting records are kept that disclose with reasonable accuracy, at any time, the financial position of the Company and enable them to ensure that its 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 Company annual financial statements were approved by the Board of Directors on 10 February 2012 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 Eversholt Depot Finance (UK) Limited

for the year ended 31 December 2011

We have audited the financial statements of Eversholt Depot Finance (UK) Limited for the year ended 31 December 2011 set out on pages 6 to 22. 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 Auditors

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 (APB'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 APB's web site at www.frc.org.uk/apb/scope/private.cfm.

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 2011 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.

10 February 2012

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

One Snowhill
Snow Hill Queensway
Birmingham B4 6GH

Income statement
for the year ended 31 December 2011

	Notes	2011 £	2010 £
Revenue			
Operating lease income		**2,365,835**	985,765
Finance lease income		**1,150,048**	513,932
Total income		**3,515,883**	1,499,697
Cost of sales	*4*	**(1,100,543)**	(443,411)
Gross Profit		**2,415,340**	1,056,286
Finance expenses	*5*	**(1,291,244)**	(178,972)
Administrative expense	*6*	**(108,249)**	(41,667)
Profit before tax		**1,015,847**	835,647
Income tax credit	*8*	**522,690**	172,347
Profit for the year		**1,538,537**	1,007,994

There were no discontinued or discontinuing operations during the year.

Statement of comprehensive income
for the year ended 31 December 2011

There has been no comprehensive income or expense other than the profit for the year as shown above (31 December 2010: nil).

Statement of financial position
as at 31 December 2011

	Notes	2011 £	2010 £
Assets			
Non-current assets			
Property, plant and equipment	*10*	**23,601,447**	24,701,990
Finance lease receivables	*11*	**11,930,900**	12,538,991
		35,532,347	37,240,981
Current assets			
Finance lease receivables	*11*	**632,451**	580,978
Trade and other receivables	*12*	**27,836**	40,362
Loans receivable	*13*	**432,485**	-
		1,092,772	621,340
Total assets		**36,625,119**	37,862,321
Liabilities and equity			
Current liabilities			
Trade and other payables	*14*	**223,600**	229,509
Current tax liabilities		**688,883**	385,872
Borrowings	*15*	**5,331,000**	12,337,812
		6,243,483	12,953,193
Non-current liabilities			
Borrowings	*15*	**14,156,498**	9,008,681
Deferred tax liabilities	*16*	**8,678,082**	9,891,928
		22,834,580	18,900,609
Total liabilities		**29,078,063**	31,853,802
Equity			
Share capital	*17*	**5,000,100**	5,000,100
Retained earnings		**2,546,956**	1,008,419
Total equity		**7,547,056**	6,008,519
Total equity and liabilities		**36,625,119**	37,862,321

These financial statements were approved by the Board of Directors and authorised for issue on 10 February 2012. They were signed on its behalf by

S F Purves
Director

Company registration number 5229765

Statement of cash flows
for the year ended 31 December 2011

	Note	2011 £	2010 £
Cash flow generated by operating activities	18	**2,679,625**	1,623,855
Taxation paid		**(388,145)**	(3,592)
Net cash flow generated by operating activities		**2,291,480**	1,620,263
Investing activities			
Acquisition of property, plant and equipment		-	(731,523)
Acquisition of property, plant and equipment from group companies		-	(24,413,878)
Acquisition of other net assets from group companies		-	(2,456,895)
Acquisition of finance lease assets		-	(343,267)
Net cash utilised in investing activities		-	(27,945,563)
Financing activities			
Loans raised		**3,905,755**	21,346,493
Loans repaid		**(6,197,235)**	(21,193)
Proceeds on issue of shares		-	5,000,000
Net cash (utilised in)/generated by financing activities		**(2,291,480)**	26,325,300
Net decrease in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the year		-	-
Cash and cash equivalents carried forward		-	-

Statement of changes in equity
for the year ended 31 December 2011

	Share capital £	Retained earnings £	Total shareholders' equity £
Balance at 1 January 2010	100	425	525
Share capital issued	5,000,000	-	5,000,000
Profit for the year	-	1,007,994	1,007,994
Balance at 31 December 2010	5,000,100	1,008,419	6,008,519
Profit for the year	-	1,538,537	1,538,537
Balance at 31 December 2011	5,000,100	2,546,956	7,547,056

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

1. General Information

Eversholt Depot Finance (UK) Limited is a company incorporated and domiciled in England and Wales. 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 pound sterling because that is the currency of the primary economic environment in which the Group operates.

2.1 Compliance with International Financial Reporting Standards

The financial statements of Eversholt Depot Finance (UK) 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 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 Eversholt Rail Group (ERG). 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 Eversholt Depot Finance (UK) Limited. These include the following Standards which are relevant to the Company's 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 on the financial statements.

2. Basis of Preparation (continued)

2.1Standards and Interpretations issued by the IASB and endorsed by the EU (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.

3.1.1 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.

3.2 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.

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.

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.

3.3 Property, plant and equipment

In the normal course of business, Property, plant and equipment are recognised at cost and are depreciated using the reducing balance method over their useful economic lives to their estimated residual value. Useful lives and residual values are reviewed annually and if there is an indication of impairment a loss will be recognised to reduce the carrying value of the asset to its recoverable amount.

The depreciation charge is included in the income statement as detailed in Note 4.

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 depots 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 impairment 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 in profit or loss.

3.4 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.

3.4.1 Loans and receivables

Trade 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.

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

3. Summary of significant accounting policies (continued)

3.4 Financial instruments (continued)

3.4.2 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.

3.4.3 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.

3.4.4 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.

3.4.5 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.

3.4.6 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. Summary of significant accounting policies (continued)

3.5 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.

3.6 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.

3.7 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.

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 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 relate to depreciation.

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 assets.

3.8 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.

Income from operating leases is recognised on a straight line basis over the lease term.

The Company as lessee

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

3. Summary of significant accounting policies (continued)

3.8 Leases (continued)

Finance charges in respect of assets acquired under finance leases are charged to the income statement over the period of the lease so as to give a constant periodic rate of finance cost. The capital element of the obligation to make future payments is included in liabilities.

4. Cost of sales

	2011	2010
	£	£
Depreciation	**(1,100,543)**	(443,411)

5. Finance expense

	2011	2010
	£	£
Interest payable to Eversholt Rail (UK) Limited	**(16,813)**	(5,624)
Interest payable to Eversholt Funding plc	**(1,094,758)**	(140,064)
Finance charges payable to Eversholt Funding plc	**(179,673)**	(4,796)
Other interest payable	**-**	(28,488)
	(1,291,244)	(178,972)

6. Administrative expense

	2011	2010
Administrative expenses include the following:	£	£
Management fees	**(100,000)**	(41,667)
Audit fees in respect of 2011 audit	**(8,214)**	-

During the prior year, Auditors remuneration was paid by another Group entity. The Company has no employees and hence no staff costs (31 December 2010: nil).

7. Directors' emoluments

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

8. Income tax credit

	Note	2011	2010
		£	£
Current tax			
UK current tax			
- On current year profit		**(688,884)**	(385,872)
- On prior year profit		**(2,272)**	-
		(691,156)	(385,872)
Deferred tax			
Origination and reversal of temporary differences	*16*		
- current year		**1,104,782**	558,219
- adjustment in respect of prior year		**109,064**	-
		1,213,846	558,219
Total income tax credit		**522,690**	172,347

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

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

	2011 £	2010 £
Taxation at corporation tax rate of 26.5% (2010: 28%)	**(269,199)**	(233,981)
Change in tax rates	**697,385**	366,368
Prior year adjustments	**106,792**	-
Disallowable expenses	**(12,288)**	
Recognition of deferred tax assets previously not recognised	**-**	39,960
Income tax credit	**522,690**	172,347

9. Dividends

For the year ended 31 December 2011 no dividend has been paid or declared (31 December 2010: nil).

10. Property, plant and equipment

	Rail Depots £
Cost	
Balance at 1 January 2010	-
Additions	731,523
Acquired from the other group undertakings	24,413,878
Balance at 31 December 2010	**25,145,401**
Additions	**-**
Balance at 31 December 2011	**25,145,401**
Depreciation	
Balance at 1 January 2010	-
Charge for the period	443,411
Balance at 31 December 2010	443,411
Charge for the year	**1,100,543**
Balance at 31 December 2011	**1,543,954**
Carrying value	
Carrying value at 31 December 2011	**23,601,447**
Carrying value at 31 December 2010	24,701,990

All assets have been pledged to secure borrowings of the Group. The Company is not permitted to pledge these assets as security for other borrowings and is restricted in its ability to dispose of its assets. The assets are secured by a fixed charge held by the financial institutions that have lent to Eversholt Funding plc.

The net carrying amount of finance lease assets at 31 December 2011 was £12,563,351 (31 December 2010: £13,119,969)

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

11. Finance lease receivables

	2011 £	2010 £
Gross investment in finance leases		
Amounts falling due:		
No later than one year	**1,706,695**	1,712,578
Later than one year and no later than five years	**6,678,172**	6,769,486
Later than five years	**10,866,264**	11,978,041
Gross investment in finance leases	**19,251,131**	20,460,105
Unearned finance income	**(6,687,780)**	(7,340,136)
Net investment in finance leases less provisions	**12,563,351**	13,119,969
Amortisation of finance lease receivables:		
Amounts falling due:		
No later than one year	**632,451**	580,978
Later than one year and no later than five years	**3,379,084**	3,222,389
Later than five years	**8,551,816**	9,316,602
Present value of minimum lease receivables	**12,563,351**	13,119,969
Fair value of amounts receivable under finance leases	**12,563,351**	13,066,281
Aggregate finance lease rentals receivable in the period	**1,150,048**	716,656

The fair value of fixed rate finance lease receivables is calculated by discounting future minimum lease receivables, using equivalent current interest rates. The fair values are not considered to be significantly different from the carrying value.

The Company has entered into finance leasing arrangements for the depots. The finance leases vary between 10 and 20 years.

Finance lease receivable balances are secured over the depots and equipment leased. All assets have been pledged to secure borrowings of the Group. The Company is not permitted to pledge these assets as security for other borrowings and is restricted in its ability to dispose of its assets. The assets are secured by a fixed charge held by the financial institutions that have lent to Eversholt Funding plc.

The interest rates inherent in the leases are fixed at the contract date for all of the lease terms. The average effective interest rate contracted approximates between 6% and 10% (2010: 6% and 10%) per annum.

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.

12. Trade and other receivables

	2011 £	2010 £
Receivable no later than one year:		
Trade receivables	**27,836**	40,362

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

13. Loan receivable

	2011	2010
	£	£
Eversholt Rail (UK) Limited	**432,485**	-

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%)

14. Trade and other payables

	2011	2010
	£	£
Accruals	**8,215**	51,335
Trade payables	**70,284**	178,174
Rentals received in advance	**145,101**	-
	223,600	229,509

15. Borrowings

	Current	Non-current	Total
	£	£	£
31 December 2011			
Eversholt Funding plc	**5,331,000**	**14,156,498**	**19,487,498**
31 December 2010			
Eversholt Rail (UK) Limited	1,947,587	-	1,947,587
Eversholt Funding plc	10,390,225	9,008,681	19,398,906
	12,337,812	9,008,681	21,346,493

The Company has granted security over all of its assets to enable a fellow group undertaking to obtain external financing by way of bonds and loans.

Fees incurred on raising finance by a group undertaking have been capitalized. These fees will be amortised over the term of the borrowings.

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, £5,331,000 is repayable on demand (31 December 2010: £10,390,226) £3,860,863 is repayable in 2020, (31 December 2010: £3,860,863) £5,147,818 is repayable in 2025 (31 December 2010: £5,147,818), £5,147,817 is repayable between 2021 and 2035. Interest is payable at rates varying between 5.8% and 6.7% (31 December 2010: 5.8% and 6.1%) per annum.

16. Deferred tax

	2011	2010
	£	£
Leasing transactions temporary differences:		
Balance at beginning of the year	**9,891,928**	402
Acquisition of assets from other group undertakings	-	10,449,745
Income statement credit	**(1,213,846)**	(558,219)
Balance at end of the year	**8,678,082**	9,891,928

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

16. Deferred tax (continued)

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

A number of changes to the UK Corporation tax system were announced in June 2010 and March 2011. The Finance (No 2) Act 2010, which was substantively enacted on 20 July 2010, includes legislation reducing the main rate of corporation tax from 28% to 27% from 1 April 2011. The Finance (No 3) Act 2010 amended the main rate of corporate tax of 25% effective from 1 April 2012. Further reductions to the main rate are proposed to reduce the rate to 23% by 1 April 2014.

Since only the change in the rate to 25% had been substantively enacted at the statement of financial position date, the effect of this change only is included in these financial statements.

17. Share capital

	2011	2010
	£	£
Authorised, allotted, called up and fully paid		
5,000,100 Ordinary shares of £1 each	**5,000,100**	5,000,100

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

18. Notes to the cash flow statement

	2011	2010
	£	£
Profit before tax	**1,015,847**	835,647
Adjustments for:		
- Depreciation charge	**1,100,543**	443,411
Operating cash flows before changes in working capital	**2,116,390**	**1,279,058**
- Decrease in finance lease receivables	**556,617**	224,550
- Decrease/(increase) in trade and other receivables	**12,526**	(40,362)
- (Decrease)/increase in trade and other payables	**(5,908)**	160,609
Net cash generated by operating activities	**2,679,625**	1,623,855

19. Risk management

Exposure to residual value risk, credit risk, liquidity risk and market risk arises in the normal course of the Group'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.

Residual value risk

A significant part of the Company's return from operating leases is dependent upon its 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 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.

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

19. Risk management (continued)

Capital risk management

The Board actively monitors the capital structure of the Company to ensure 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.

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 in arrears.

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 monthly basis and will compare expected cash flow obligations with expected cash flow receipts to ensure they are appropriately aligned. In light of this the Company will borrow funds as and when required from parent undertakings.

The Company's assets, net of deferred tax, are funded principally by borrowings from fellow Group undertaking and third parties.

Undiscounted cash flows receivable from financial assets and 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
	£	£	£	£	£	£
31 December 2011						
Financial assets						
Loans and receivables						
- Finance Lease Receivable	12,563,351	19,251,131	-	1,706,695	6,678,172	10,866,264
- Trade and other receivables	27,836	27,836	-	27,836	-	-
- Loan receivables	432,485	432,485	432,485	-	-	-
	13,023,672	19,711,452	432,485	1,734,531	6,678,172	10,866,264
Financial liabilities						
Non-derivative instruments – amortised cost						
- Trade and other payables	(223,598)	(223,598)	-	(223,598)	-	-
- Borrowings	(19,487,498)	(31,880,168)	(5,331,000)	(899,684)	(3,591,362)	(22,058,122)
- Current taxation	(688,883)	(688,883)	-	(688,883)	-	-
	(20,399,779)	(32,792,649)	(5,331,000)	(1,812,165)	(3,591,362)	(22,058,122)
Total financial instruments	(7,376,307)	(13,081,197)	(4,898,515)	(77,634)	3,086,810	(11,191,858)
31 December 2010						
Financial assets						
Loans and receivables						
- Finance Lease receivables	13,119,969	20,460,105	-	1,712,578	6,769,486	11,978,041
- Trade and other receivables	40,362	40,362	-	40,362	-	-
	13,160,331	20,500,467	-	1,752,940	6,769,486	11,978,041

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

19. 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
	£	£	£	£	£	£
Financial liabilities						
Non-derivative instruments – amortised cost						
- Trade and other payables	(229,509)	(229,509)	-	(229,509)	-	-
- Current taxation	(385,872)	(385,872)	-	(385,872)	-	-
- Borrowings	(21,346,493)	(28,513,446)	(12,337,812)	(552,477)	(2,211,420)	(13,411,737)
	(21,961,874)	(29,128,827)	(12,337,812)	(1,167,858)	(2,211,420)	(13,411,737)
Total financial instruments	(8,801,543)	(8,628,360)	(12,337,812)	(585,082)	(4,558,066)	(1,433,696)

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.

The expected cashflows are not anticipated to be materially different to the contractual cashflows.

Market risk management

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 cost or benefit derived from the use of swaps is taken into account in determining the interest in the loan accounts.

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

20. Operating lease arrangement

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

	2011	**2010**
	£	**£**
Future minimum lease payments receivable under non-cancellable operating leases:		
No later than one year	**2,621,520**	4,287,121
Later than one year and no later than five years	**10,486,080**	17,069,673
Later than five years	**5,255,660**	35,056,561
	18,363,260	56,413,355
Aggregate operating lease rentals receivable in the year	**2,365,835**	985,765

21. Related-party transactions

21.1 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:

- European Rail Finance Holdings Limited
- European Rail Finance Limited
- Eversholt Investment Limited
- Eversholt Rail Holdings (UK) Limited
- Eversholt Finance Holdings Limited
- Eversholt Funding plc
- Eversholt Rail (UK) Limited
- Eversholt Rail (380) Limited
- Eversholt Rail (365) Limited
- European Rail Finance (GB) 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 Eversholt Rail Holdings (UK) 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:

Regus House
Harcourt Centre
Harcourt Road
Dublin 2
Ireland

21.2 Transactions with related parties

The Company has loans with related parties, more fully described in note 13 and 15. Interest on these loans are more fully described in note 5.

The Company paid management fees of £100,000 to Eversholt Rail (UK) Ltd (31 December 2010: £41,007)

The Directors held the following interest in Eversholt Investment Group (Luxembourg) Sarl:

	Preferred Equity Certificates			Ordinary Shares
	Subscribed	Redeemed	Held at 31 December 2011	Subscribed and held at 31 December 2011
M B Kenny	199,675	12,548	187,127	901
S F Purves	147,982	9,299	138,683	667

22. Contingent liabilities

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

23. Subsequent events

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