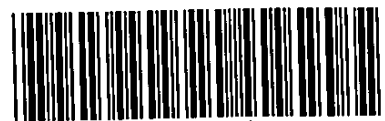


Registered Number 06275621

## **QW Rail Leasing Limited**

### **Report and financial statements for the year ended 31 March 2012**

WEDNESDAY



\*L11A5NL5\*

LD4

26/09/2012

#374

COMPANIES HOUSE

---

# **QW Rail Leasing Limited**

## **Contents**

|                                          |         |
|------------------------------------------|---------|
| Company information                      | 1       |
| Directors' report                        | 2 - 4   |
| Statement of directors' responsibilities | 5       |
| Independent auditor's report             | 6 - 7   |
| Statement of comprehensive income        | 8       |
| Statement of changes in equity           | 8       |
| Statement of financial position          | 9       |
| Statement of cash flows                  | 10      |
| Notes to the financial statements        | 11 - 21 |

---

# **QW Rail Leasing Limited**

## **Company information**

### **Directors**

Lawrence Butcher

James Duffy

William Ginn

Rolfe Lakin

Mark Rutherford

Antony Mitton

David Ward

Gregory Elswood

### **Secretary**

Helen Twydell

### **Registered Office**

99 Queen Victoria Street

London

EC4V 4EH

### **Independent Auditors**

Ernst & Young LLP

1 More London Place

London

SE1 2AF

---

# **QW Rail Leasing Limited**

## **Directors' report for the year ended 31 March 2012**

The directors present their report together with the audited financial statements of the company for the year ended 31 March 2012

### **Principal activities**

The company's principal activity is to purchase assets to lease them to its customers

The company is a limited liability company incorporated and domiciled in the United Kingdom (UK) and is a joint venture between SMBC Leasing (UK) Limited and National Australia Finance (Infrastructure Leasing No 2) Limited

The principal places of business are 88 Wood Street, London EC2V 7QQ and 99 Queen Victoria Street, London EC4V 4EH

### **Review of business and future developments**

The company's principal asset is a fleet of Electric Multiple Unit passenger trains which are currently on operating lease to Rail for London Limited ('RfL')

The directors are pleased to report that during the year three additional trains were successfully delivered by the manufacturer and are on lease to RfL. As at 31 March 2012, the full fleet of 57 trains were operating well in passenger service (2011: 54 trains). As at 31 March 2012, the total build cost of the 57 trains (including capitalised fees and loan interest) amounted to £279.7 million (2011: £275.7 million). The expenditure incurred on the construction of the trains has been financed by bank loans, some of which are with related parties.

During the year, the company has generated a loss before taxation. The expected cash flows from future profits and loan facilities in place will provide the funds necessary for the company to continue as a going concern in future periods. The directors are satisfied with the performance and position of the company at the year end.

Subsequent to the year end, further enhancement costs of £12,000 were incurred and capitalised.

### **Results and dividends**

The statement of comprehensive income for the year is set out on page 8. The directors do not recommend the payment of a dividend (2011: £nil).

# **QW Rail Leasing Limited**

## **Directors' report for the year ended 31 March 2012 (continued)**

### **Principal risks and uncertainties**

The directors regard the principal business risks as relating to the residual value of the trains and credit risk

#### *Residual value risk*

This risk is that at the end of the lease in June 2027, RfL will return the trains and no suitable new lessee can be found for them at a rent which will recoup the remaining investment in the fleet

This risk is minimised by expected increased future demand for rolling stock in the UK, the continued limited supply of suitable trains (and high cost and long lead times of building new ones), and the wide number of UK rail routes on which the trains could operate in the future

#### *Credit risk*

This risk is that RfL fails to pay the lease rentals when they fall due. The risk is mitigated by the existence of a full rental guarantee from Transport for London, RfL's parent and a UK statutory body with a AA+ credit rating

The financial risk management of the company is detailed in note 2 of the financial statements

### **Key performance indicators**

With the full fleet of 57 trains now complete and operating well in passenger service, the directors are satisfied that progress and financial performance is in line with the underlying contract with RfL and latest business forecasts. The company's directors are of the opinion that analysis using KPIs is not appropriate for an understanding of the performance of the business

### **Directors**

The directors who held office during the year and up to the date of signing these financial statements are as follows

Lawrence Butcher

James Duffy

William Ginn

Rolfe Lakin

Mark Rutherford

Antony Mitton

Bruce Stockwell (resigned 30 April 2012)

Paul Rayner (resigned 14 July 2011)

Peter Thodey (resigned 5 October 2011)

David Ward

Gregory Elswood (appointed 23 December 2011)

In accordance with the Articles of Association, the directors are not required to retire by rotation

# **QW Rail Leasing Limited**

## **Directors' report for the year ended 31 March 2012 (continued)**

### **Directors' liability**

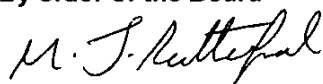
The directors of the company are insured against personal liabilities which may arise in the course of the performance of their duties. National Australia Bank Limited and SMBC Leasing and Finance, Inc pay a premium for a contract insuring their respective directors and officers, including those of their subsidiaries and associated entities.

### **Auditors and disclosure of information to auditors**

So far as each director is aware at the time this report is approved, there is no relevant audit information of which the company's auditors are unaware. Relevant information is defined as information needed by the company's auditors in connection with preparing their report. Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

In accordance with section 487 of the Companies Act 2006 Ernst & Young LLP will be deemed to be reappointed as auditors of the Company when the end of the next accounting period for appointing auditors expires.

### **By order of the Board**



Mark Rutherford

Director

Date 24 SEPTEMBER 2012

# **QW Rail Leasing Limited**

## **Statement of directors' responsibilities for the year ended 31 March 2012**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRS) as adopted by the European Union (EU)

The directors are required to prepare financial statements for each financial year which present fairly the financial position of the company and the financial performance and cash flows of the company for that period. In preparing those company financial statements the directors are required to

- select suitable accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance, and
- state that the company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with these requirements and, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

# **QW Rail Leasing Limited**

## **Independent auditor's report to the members of QW Rail Leasing Limited**

We have audited the financial statements of QW Rail Leasing Limited for the year ended 31 March 2012 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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's 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 report and financial statements 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 of the state of the company's affairs as at 31 March 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, 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.

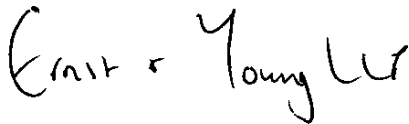
# **QW Rail Leasing Limited**

## **Independent auditor's report to the members of QW Rail Leasing Limited (continued)**

### **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



**Javier Faiz**  
(Senior statutory auditor)  
For and on behalf of  
Ernst & Young LLP, Statutory Auditor  
London

Date 25/9/12

# QW Rail Leasing Limited

## Statement of comprehensive income for the year ended 31 March 2012

|                                                | Note | 2012<br>£'000 | 2011<br>£'000 |
|------------------------------------------------|------|---------------|---------------|
| Continuing operations                          |      |               |               |
| Revenue - Lease income                         | 3    | 11,975        | 9,086         |
| Depreciation                                   | 9    | (7,745)       | (6,576)       |
| Finance costs                                  | 7    | (8,968)       | (7,206)       |
| Finance income                                 | 7    | 5             | 4             |
| Other expenses                                 |      | (132)         | (351)         |
| Loss before taxation                           | 4    | (4,865)       | (5,043)       |
| Income tax credit                              | 8    | 2,827         | 2,542         |
| Loss for the year and total comprehensive loss |      | (2,038)       | (2,501)       |

## Statement of changes in equity for the year ended 31 March 2012

|                                                             | Share<br>capital | Retained<br>earnings | Total<br>shareholders'<br>deficit |
|-------------------------------------------------------------|------------------|----------------------|-----------------------------------|
|                                                             | £'000            | £'000                | £'000                             |
| Balance at 1 April 2010                                     | 100              | (8,449)              | (8,349)                           |
| Loss for the year attributable to non-controlling interests | -                | (2,501)              | (2,501)                           |
| Balance at 31 March 2011                                    | 100              | (10,950)             | (10,850)                          |
| Balance at 1 April 2012                                     | 100              | (10,950)             | (10,850)                          |
| Loss for the year attributable to non-controlling interests | -                | (2,038)              | (2,038)                           |
| Balance at 31 March 2012                                    | 100              | (12,988)             | (12,888)                          |

**Statement of financial position  
as at 31 March 2012**

|                                                                           | <b>Note</b> | <b>2012<br/>£'000</b> | <b>2011<br/>£'000</b> |
|---------------------------------------------------------------------------|-------------|-----------------------|-----------------------|
| <b>Assets</b>                                                             |             |                       |                       |
| <b>Non-current assets</b>                                                 |             |                       |                       |
| Property, plant and equipment                                             | 9           | 264,271               | 267,997               |
| <b>Current assets</b>                                                     |             |                       |                       |
| Trade and other receivables                                               | 10          | 1,827                 | 2,638                 |
| Cash and cash equivalents                                                 | 11          | 1,281                 | 588                   |
|                                                                           |             | <b>3,108</b>          | <b>3,226</b>          |
| <b>Total assets</b>                                                       |             | <b>267,379</b>        | <b>271,223</b>        |
| <b>Liabilities</b>                                                        |             |                       |                       |
| <b>Current liabilities</b>                                                |             |                       |                       |
| Trade and other payables                                                  | 12          | (20,793)              | (17,626)              |
| <b>Non-current liabilities</b>                                            |             |                       |                       |
| Borrowings                                                                | 13          | (240,986)             | (248,418)             |
| Deferred tax liability                                                    | 14          | (18,488)              | (16,029)              |
|                                                                           |             | <b>(259,474)</b>      | <b>(264,447)</b>      |
| <b>Total liabilities</b>                                                  |             | <b>(280,267)</b>      | <b>(282,073)</b>      |
| <b>Net liabilities</b>                                                    |             | <b>(12,888)</b>       | <b>(10,850)</b>       |
| <b>Equity</b>                                                             |             |                       |                       |
| <b>Capital and reserves attributable to equity holders of the company</b> |             |                       |                       |
| Ordinary shares                                                           | 15          | 100                   | 100                   |
| Retained earnings                                                         |             | (12,988)              | (10,950)              |
| <b>Total shareholders' deficit</b>                                        |             | <b>(12,888)</b>       | <b>(10,850)</b>       |

The financial statements on pages 8 to 21 were approved by the board of directors on and were signed on its behalf by

24 SEPTEMBER 2012



Mark Rutherford  
Director



James Duffy  
Director

# QW Rail Leasing Limited

## Statement of cash flows for the year ended 31 March 2012

|                                                                         | Note | 2012<br>£'000  | 2011<br>£'000   |
|-------------------------------------------------------------------------|------|----------------|-----------------|
| <b>Cash flows from operating activities</b>                             |      |                |                 |
| Cash received from customers                                            |      | 11,432         | 9,918           |
| Cash paid to suppliers                                                  |      | (115)          | (583)           |
| Interest received                                                       |      | 5              | 4               |
| Interest paid on borrowings                                             |      | (9,295)        | (8,348)         |
| Receipt of consortium relief and working capital loan from shareholders |      | 9,272          | 12,345          |
| Net receipt of VAT                                                      |      | 553            | 849             |
| <b>Net cash generated from operating activities</b>                     |      | <b>11,852</b>  | <b>14,185</b>   |
| <b>Cash flows from investing activities</b>                             |      |                |                 |
| Purchase of property, plant and equipment                               |      | (3,727)        | (39,118)        |
| <b>Net cash used in investing activities</b>                            |      | <b>(3,727)</b> | <b>(39,118)</b> |
| <b>Cash flows from financing activities</b>                             |      |                |                 |
| Net (repayments) / proceeds from borrowings                             |      | (7,432)        | 25,284          |
| <b>Net cash (used) / generated from financing activities</b>            |      | <b>(7,432)</b> | <b>25,284</b>   |
| <b>Net increase in cash and cash equivalents</b>                        |      | <b>693</b>     | <b>351</b>      |
| Cash and cash equivalents at beginning of year                          |      | 588            | 237             |
| <b>Cash and cash equivalents at end of year</b>                         | 11   | <b>1,281</b>   | <b>588</b>      |

# **QW Rail Leasing Limited**

## **Notes to the financial statements for the year ended 31 March 2012**

### **1 Principal accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

#### **Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS, and under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

#### *(a) New and amended standards adopted by the company*

There are no IFRSs, IFRIC interpretations or any amended standards that are effective for the first time for the financial year beginning 1 April 2011 that have a material impact on the company.

#### *(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the company*

- IFRS 9 (new standard) "Financial instruments" (effective from 1 January 2013) addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded as a component of 'other comprehensive income'.

Other new standards or amendments to existing standards not yet effective are considered as not relevant to the company.

#### **Going concern**

The financial statements have been prepared on a going concern basis. The expected cash flows from future profits and loan facilities in place will provide the funds necessary for the company to continue as a going concern in future periods.

#### **Leases**

##### *Operating leases*

Assets leased to customers under contracts which do not transfer substantially all the risks and rewards of ownership are classified as operating leases.

Assets leased to customers under operating leases are capitalised in accordance with the policy on property, plant and equipment. Operating lease income is accounted for on a straight line basis over the term of the lease commencing from the date of delivery of the asset to the lessee. Any rental increases or decreases arising from changes in underlying interest rates are recognised during the period to which they relate.

# **QW Rail Leasing Limited**

## **Notes to the financial statements for the year ended 31 March 2012**

### **1 Principal accounting policies (continued)**

#### *Finance leases*

Assets leased to customers under contracts which transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are classified as finance leases

Assets leased to customers under finance leases are deemed to be sold at normal selling value which is taken to income at the inception of the lease Debtors under finance leases represent outstanding amounts due under these agreements less finance charges allocated to future periods Finance lease income is recognised over the primary period of the lease so as to produce a constant rate of return on the net cash investments

#### **Property, plant and equipment**

Property, plant and equipment represents assets that are purchased and subsequently leased to a third party under an operating lease agreement Assets are stated at historical cost less accumulated depreciation and any provisions for impairment Historical costs include expenditure that is directly attributable to the acquisition of the asset and the set up of the lease

Rolling stock assets are depreciated over their useful economic life on a straight line basis commencing from the date of the delivery of each asset to the lessee Depreciation on rolling stock assets is calculated on the gross cost (which includes related capitalised interest costs) less the estimated residual value at the end of their useful economic life Capitalised fees in connection with the set up of the operating lease to RfL are depreciated over the life of the lease

#### **Borrowings**

Borrowings are recognised at fair value net of any transaction costs incurred Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method The interest costs on borrowings relating to the operations of the company have been charged to the income statement under the effective interest rate method Interest costs on borrowings directly attributable to the construction of the trains is capitalised

#### **Current and deferred income tax**

The tax expense for the period comprises current and deferred tax Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity In this case the tax is also recognised in other comprehensive income or directly in equity, respectively

The current tax charge is calculated on the taxable income for the period and on the basis of the tax laws enacted or substantively enacted at 31 March 2012

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by 31 March 2012 and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current

# **QW Rail Leasing Limited**

## **Notes to the financial statements for the year ended 31 March 2012**

### **1 Principal accounting policies (continued)**

tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis

#### **Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently remeasured at amortised cost using the effective interest method, less provision for impairment

#### **Trade and other payables**

Trade and other payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method

#### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand and at bank

#### **Share capital**

Ordinary shares are classified as equity

### **2 Financial risk management**

#### **Interest rate risk**

The company's exposure to the risk of changes in interest rates relates primarily to the company's borrowings which bear interest at fixed and floating rates. Any fluctuations in interest rates on the company's borrowings are passed to RfL through rental adjustments under the lease

#### **Liquidity risk**

Liquidity risk is the risk that the company is unable to meet its current and future financial obligations as they fall due at an acceptable cost. The directors do not believe that there is a significant exposure to liquidity risk as all principal funding lines are committed for at least the full duration of the lease to RfL (see note 13)

#### **Credit risk**

Credit risk is the potential that a lessee or counterparty will fail to meet its obligations in accordance with agreed terms. Having reviewed the company's lease arrangements and customer profile, the directors consider the risk to be minimal

### **3 Lease income**

Lease income represents rental income receivable under operating lease contracts and finance lease interest. Income is recognised in accordance with the policy stated for leases in note 1. Any rental increases or decreases arising from changes in underlying interest rates are recognised during the period to which they relate. During the year, net lease income amounted to £11,975,000 (2011 £9,086,000) which included contingent rents, as a reduction to income, of £4,119,000 (2011 £5,016,000 reduction)

# QW Rail Leasing Limited

## Notes to the financial statements for the year ended 31 March 2012

### 4 Loss before taxation

Loss before taxation has been stated after charging

|                                                              | 2012<br>£'000 | 2011<br>£'000 |
|--------------------------------------------------------------|---------------|---------------|
| <b>Audit services</b>                                        |               |               |
| Fees payable to company auditor for the audit of the company | 11            | 11            |
| Depreciation                                                 | 7,745         | 6,576         |

### 5 Employees

The company had no employees during the year (2011 none)

### 6 Directors' emoluments

The directors did not receive any remuneration for their services to the company during the year (2011 £nil)

### 7 Finance costs and income

|                                                   | 2012<br>£'000 | 2011<br>£'000 |
|---------------------------------------------------|---------------|---------------|
| <b>Finance costs</b>                              |               |               |
| Interest payable on related party loans (note 17) | (3,059)       | (2,599)       |
| Interest payable on bank loan                     | (6,220)       | (6,116)       |
| Less capitalised borrowing costs (note 9)         | 311           | 1,509         |
|                                                   | (8,968)       | (7,206)       |
| <b>Finance income</b>                             |               |               |
| Interest receivable on short-term bank deposits   | 5             | 4             |
| <b>Net finance costs</b>                          | (8,963)       | (7,202)       |

# QW Rail Leasing Limited

## Notes to the financial statements for the year ended 31 March 2012

### 8 Income tax credit

|                                                   | 2012<br>£'000  | 2011<br>£'000  |
|---------------------------------------------------|----------------|----------------|
| <b>Current income tax</b>                         |                |                |
| UK corporation tax – consortium relief receivable | 4,766          | 5,397          |
| Prior year adjustment                             | 520            | 1,227          |
| <b>Total current income tax credit</b>            | <b>5,286</b>   | <b>6,624</b>   |
| <b>Deferred income tax</b>                        |                |                |
| Origination and reversal of timing differences    | (3,483)        | (4,088)        |
| Prior year adjustment                             | (517)          | (1,227)        |
| Adjustment in respect of rate change              | 1,541          | 1,233          |
| <b>Total deferred income tax charge (note 14)</b> | <b>(2,459)</b> | <b>(4,082)</b> |
| <b>Total income tax credit</b>                    | <b>2,827</b>   | <b>2,542</b>   |

The tax assessed for the year is lower (2011 lower) than the standard rate of corporation tax in the UK (26%). The differences are explained below

|                                                                                       | 2012<br>£'000 | 2011<br>£'000 |
|---------------------------------------------------------------------------------------|---------------|---------------|
| Loss before taxation                                                                  | 4,865         | 5,043         |
| Loss multiplied by the standard rate of corporation taxation in the UK 26% (2011 28%) | 1,265         | 1,412         |
| Adjustments in respect of prior years                                                 | 3             | -             |
| Expenses not deductible for tax purposes                                              | -             | (5)           |
| Changes in tax rate                                                                   | 18            | (98)          |
| Rate adjustment for deferred taxation                                                 | 1,541         | 1,233         |
| <b>Total income tax credit</b>                                                        | <b>2,827</b>  | <b>2,542</b>  |

#### Factors that may affect future tax charges

A number of factors may impact the future tax charge including further changes to the enacted tax rate, the timing of the origination and reversal of short term timing differences, and the amount of any costs which do not qualify for tax deductions

A reduction in the UK corporation tax rate from 28% to 26% was substantively enacted in March 2011 and is effective from 1 April 2011. A resolution passed by Parliament on 26 March 2012 reduced this rate further to 24% from 1 April 2012. Accordingly, these rates have been applied in the measurement of the company's current and deferred income tax balances

In addition to the above changes, a number of further changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012. A further reduction to the main rate is proposed to reduce the rate to 22% from 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

# QW Rail Leasing Limited

## Notes to the financial statements for the year ended 31 March 2012

### 9 Property, plant and equipment

|                         | Rail rolling stock |                           | Total          |
|-------------------------|--------------------|---------------------------|----------------|
|                         | Completed trains   | In course of construction |                |
|                         | £'000              | £'000                     | £'000          |
| <b>Cost</b>             |                    |                           |                |
| At 1 April 2011         | 258,613            | 17,052                    | 275,665        |
| Additions               | -                  | 4,019                     | 4,019          |
| Transfer                | 21,071             | (21,071)                  | -              |
| <b>At 31 March 2012</b> | <b>279,684</b>     | <b>-</b>                  | <b>279,684</b> |
| <b>Depreciation</b>     |                    |                           |                |
| At 1 April 2011         | 7,668              | -                         | 7,668          |
| Charge for the year     | 7,745              | -                         | 7,745          |
| <b>At 31 March 2012</b> | <b>15,413</b>      | <b>-</b>                  | <b>15,413</b>  |
| <b>Net book value</b>   |                    |                           |                |
| <b>At 31 March 2012</b> | <b>264,271</b>     | <b>-</b>                  | <b>264,271</b> |
| At 31 March 2011        | 250,945            | 17,052                    | 267,997        |

Rail rolling stock represents expenditure incurred on the construction of Electric Multiple Unit passenger trains for use on the London Overground network. The company's principal operating lease with RfL for the lease of these trains runs until June 2027.

As at 31 March 2012 the full fleet of 57 trains delivered to RfL were operating in passenger service (2011: 54 trains).

IAS23 (revised) "Borrowing costs" requires entities to capitalise borrowing costs directly attributable to the construction of qualifying assets. Included in additions during the year is an amount of £311,000 (2011: £1,509,000) representing capitalised borrowing costs (see note 7).

Depreciation of the trains commences upon date of delivery.

# **QW Rail Leasing Limited**

## **Notes to the financial statements for the year ended 31 March 2012**

### **9 Property, plant and equipment (continued)**

The future minimum rental payments receivable under non-cancellable operating leases are as follows

|                            | <b>2012</b>    | <b>2011</b>  |
|----------------------------|----------------|--------------|
|                            | <b>£'000</b>   | <b>£'000</b> |
| Not later than one year    | <b>16,406</b>  | 15,553       |
| Between two and five years | <b>65,622</b>  | 64,768       |
| Later than five years      | <b>168,158</b> | 182,160      |
|                            | <b>250,186</b> | 262,481      |

### **10 Trade and other receivables**

|                                        | <b>2012</b>  | <b>2011</b>  |
|----------------------------------------|--------------|--------------|
|                                        | <b>£'000</b> | <b>£'000</b> |
| Trade receivables                      | -            | 2            |
| Consortium relief receivable (note 17) | <b>1,827</b> | 2,636        |
|                                        | <b>1,827</b> | 2,638        |

No trade receivables were overdue as at 31 March 2012 (2011 £nil)

### **11 Cash and cash equivalents**

|                          | <b>2012</b>  | <b>2011</b>  |
|--------------------------|--------------|--------------|
|                          | <b>£'000</b> | <b>£'000</b> |
| Cash at bank and in hand | <b>1,281</b> | 588          |

# QW Rail Leasing Limited

## Notes to the financial statements for the year ended 31 March 2012

### 12 Trade and other payables

|                                         | 2012   | 2011   |
|-----------------------------------------|--------|--------|
|                                         | £'000  | £'000  |
| Trade payables                          | 9      | 28     |
| Amounts owed to related party (note 17) | 13,660 | 10,484 |
| Social security and other taxes         | 550    | -      |
| Accruals and deferred income            | 6,574  | 7,114  |
|                                         | 20,793 | 17,626 |

### 13 Borrowings

|                                                      | 2012           | 2011           |
|------------------------------------------------------|----------------|----------------|
|                                                      | £'000          | £'000          |
| Non-current                                          |                |                |
| Amounts owed to related parties                      |                |                |
| - National Australia Bank, London Branch             | 56,889         | 59,209         |
| - Sumitomo Mitsui Banking Corporation Europe Limited | 56,889         | 59,209         |
| Amounts owed to European Investment Bank             | 127,208        | 130,000        |
| <b>Total borrowings</b>                              | <b>240,986</b> | <b>248,418</b> |

The joint funding agreement between National Australia Bank, London Branch and Sumitomo Mitsui Banking Corporation Europe Limited and the company provides for a credit facility of £160,000,000 which is made available to the company until 14 August 2044. The facility allows the company to draw down funding as required. Repayment dates are at the end of each three month interest period with the right to redraw up to the amount of the facility immediately. Interest is charged at commercial variable rates.

The funding agreement between the company and European Investment Bank provides for a credit facility of £130,000,000 which is made available to the company until 14 April 2027. Interest under this facility is charged at a fixed rate. Repayments of this facility commenced on 14 October 2011 and amounted to £5,923,000 of which £3,132,000 related to interest. Final repayment is scheduled to occur on 14 April 2027.

The carrying value of the borrowings is assumed to approximate their fair values on the basis that these borrowings are arranged at current commercial interest rates.

All borrowings are denominated in sterling.

Sumitomo Mitsui Banking Corporation Europe Limited, as security trustee for all of the above lenders has a charge over the company's trains and associated equipment.

# QW Rail Leasing Limited

## Notes to the financial statements for the year ended 31 March 2012

### 14 Deferred income tax

Deferred income tax is calculated in full on the temporary differences under the liability method using the tax rate of 24% (2011 26%) The deferred income tax liability to be recovered after more than one year is as follows

|                                          | 2012<br>£'000 | 2011<br>£'000 |
|------------------------------------------|---------------|---------------|
| At 1 April                               | 16,029        | 11,947        |
| Charged to the income statement (note 8) | 2,459         | 4,082         |
| <b>At 31 March</b>                       | <b>18,488</b> | <b>16,029</b> |

The movement in deferred income tax assets and liabilities during the year is as follows

| Deferred tax liabilities        | Accelerated tax<br>depreciation<br>£'000 | Capitalised<br>interest<br>£'000 | Total<br>£'000 |
|---------------------------------|------------------------------------------|----------------------------------|----------------|
| At 1 April 2011                 | 26,691                                   | 1,643                            | 28,334         |
| Charged to the income statement | 3,781                                    | (94)                             | 3,687          |
| <b>At 31 March 2012</b>         | <b>30,472</b>                            | <b>1,549</b>                     | <b>32,021</b>  |

| Deferred tax assets             | Tax losses<br>£'000 | Other<br>£'000 | Total<br>£'000  |
|---------------------------------|---------------------|----------------|-----------------|
| At 1 April 2011                 | (12,280)            | (25)           | (12,305)        |
| Charged to the income statement | (1,253)             | 25             | (1,228)         |
| <b>At 31 March 2012</b>         | <b>(13,533)</b>     | <b>-</b>       | <b>(13,533)</b> |

|                                   |               |              |               |
|-----------------------------------|---------------|--------------|---------------|
| <b>Net deferred tax liability</b> |               |              |               |
| <b>At 31 March 2012</b>           | <b>16,939</b> | <b>1,549</b> | <b>18,488</b> |
| At 31 March 2011                  | 14,411        | 1,618        | 16,029        |

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profit is probable

# **QW Rail Leasing Limited**

## **Notes to the financial statements for the year ended 31 March 2012**

### **15 Share capital**

|                                    | <b>2012</b>  | <b>2011</b>  |
|------------------------------------|--------------|--------------|
|                                    | <b>£'000</b> | <b>£'000</b> |
| <b>Authorised</b>                  |              |              |
| 100,000 Ordinary shares of £1 each | <b>100</b>   | 100          |
| <b>Allotted and fully paid</b>     |              |              |
| 100,000 Ordinary shares of £1 each | <b>100</b>   | 100          |

### **16 Commitments**

Capital expenditure contracted for at 31 March 2012 but not incurred is as follows

|                    | <b>2012</b>  | <b>2011</b>  |
|--------------------|--------------|--------------|
|                    | <b>£'000</b> | <b>£'000</b> |
| Rail rolling stock | -            | 4,321        |

# QW Rail Leasing Limited

## Notes to the financial statements for the year ended 31 March 2012

### 17 Related party transactions

The company has several related parties which are fellow group undertakings of its two shareholders with whom it has entered into transactions as listed below

*Fellow group undertaking of SMBC Leasing (UK) Limited*

Sumitomo Mitsui Banking Corporation Europe Limited

SMBC Leasing and Finance, Inc , London Branch

*Fellow group undertakings of National Australia Finance (Infrastructure Leasing No 2) Limited*

National Australia Bank, London Branch

Loan arrangements and transactions with related parties include the following

(i) *Loans*

Loans advanced to the company by National Australia Bank, London Branch and Sumitomo Mitsui Banking Corporation Europe Limited are detailed in note 13 Finance costs include £3,059,000 (2011 £2,599,000) of interest payable to these two related parties in equal proportions

(ii) *Consortium relief and working capital loans*

Consortium relief receivable by the company from the surrender of its losses to its shareholders amounted to £5,286,000 (2011 £6,624,000) At 31 March 2012, amounts owed by/(to) the shareholders (and for their affiliates) in respect of consortium relief and working capital loans were as follows

|                                                                             | 2012     | 2011     |
|-----------------------------------------------------------------------------|----------|----------|
|                                                                             | £'000    | £'000    |
| SMBC Leasing (UK) Limited and SMBC Leasing and Finance, Inc , London Branch | (13,660) | (10,484) |
| National Australia Finance (Infrastructure Leasing No 2) Limited            | 1,827    | 2,636    |

Amounts owed to shareholders (and for their affiliates) are interest free and repayable on demand

### 18 Ultimate parent undertaking

The company is a joint venture between SMBC Leasing (UK) Limited and National Australia Finance (Infrastructure Leasing No 2) Limited Neither of these entities has sole control of the company and so it has no ultimate parent undertaking