Registered Number 06275621

QW Rail Leasing Limited

Annual report and financial statements for the year ended 31 March 2016

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QW Rail Leasing Limited

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QW Rail Leasing Limited

Company information

Directors
Lawrence Butcher
Rolfe Lakin
Mark Rutherford
Antony Mitton
David Ward
Gregory Elswood
Mona Wong

Secretary
Bernadette Lewis

Registered Office
99 Queen Victoria Street
London
EC4V 4EH

Independent Auditors
Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY

QW Rail Leasing Limited

Strategic report
for the year ended 31 March 2016

The directors of QW Rail Leasing Limited (the "company") present their Strategic Report for the year ended 31 March 2016.

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.

Business review
The company's principal asset is a fleet of 57 x 5-car Class 378 Electric Multiple Unit passenger trains which are currently on operating lease to Rail for London Limited ('RfL').

Following the entry into an agreement in 2013 to purchase 57 additional carriages for the purpose of integration into the 4-car Class 378 trains already owned by the company, the last of these additional carriages delivered in August 2015 and, together with the rest of the carriages, are on operating lease to RfL.

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 leases 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 an 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 x 5-car trains successfully on operating lease to RfL, the directors are satisfied that progress and financial performance of the company is in line with its underlying contracts with RfL and its 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.

The Strategic Report was approved by the board of directors on 29 September 2016 and was signed on its behalf by:

M. J. Rutherford

Mark Rutherford
Director

QW Rail Leasing Limited

Directors' report
for the year ended 31 March 2016

The directors present their report together with the audited financial statements of the company for the year ended 31 March 2016.

Going Concern

During the year, the company 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.

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 (2015: £nil).

Directors

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

Lawrence Butcher
Rolfe Lakin
Mark Rutherford
Antony Mitton
David Ward
Gregory Elswood
Mona Wong (appointed 28 April 2015)

In accordance with the Articles of Association, none of the directors are required to retire by rotation.

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.

QW Rail Leasing Limited

Directors' report
for the year ended 31 March 2016 (continued)

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 485 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

M. J. Rutherford

Mark Rutherford
Director

Date: 29 September 2016

QW Rail Leasing Limited

Statement of directors' responsibilities for the year ended 31 March 2016

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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 2016 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 19. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities 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 2016 and of its profit 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Ernst & Young LLP

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

Date: 15 September 2016

QW Rail Leasing Limited

Statement of comprehensive income for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Continuing operations			
Revenue - Lease Income	3	**18,027**	12,077
Depreciation	9	**(10,802)**	(8,186)
Finance Costs	7	**(10,184)**	(8,040)
Finance Income	7	**7**	7
Other Expenses		**(155)**	(182)
(Loss) before Taxation	4	**(3,107)**	(4,324)
Income Tax credit	8	**3,546**	1,061
Profit / (Loss) for the year and total comprehensive loss		**439**	(3,263)

Statement of changes in equity for the year ended 31 March 2016

	Share capital £'000	Retained earnings £'000	Total shareholders' deficit £'000
Balance at 1 April 2014	100	(13,501)	(13,401)
Loss for the year attributable to non-controlling interests	-	(3,263)	(3,263)
Balance at 31 March 2015	**100**	**(16,764)**	**(16,664)**
Balance at 1 April 2015	100	(16,764)	(16,664)
Profit for the year attributable to non-controlling interests	-	439	439
Balance at 31 March 2016	**100**	**(16,325)**	**(16,225)**

QW Rail Leasing Limited

Registered Number 06275621

Statement of financial position as at 31 March 2016

	Note	2016 £'000	2015 £'000
Assets			
Non-current assets			
Property, plant & equipment	9	**322,604**	318,251
Current assets			
Trade and other receivables	10	**430**	2,750
Cash and cash equivalents	11	**2,018**	899
		2,448	3,649
Total assets		**325,052**	321,900
Liabilities			
Current liabilities			
Trade and other payables	12	**(14,898)**	(20,974)
Non-current liabilities			
Borrowings	13	**(299,598)**	(288,980)
Deferred tax liability	14	**(26,781)**	(28,610)
		(326,379)	(317,590)
Total liabilities		**(341,277)**	(338,564)
Net liabilities		**(16,225)**	(16,664)
Equity			
Capital and reserves attributable to equity holders of the company			
Ordinary shares	15	**100**	100
Retained earnings		**(16,325)**	(16,764)
Total shareholders' deficit		**(16,225)**	**(16,664)**

The financial statements on pages 8 to 22 were approved by the board of directors on September 2016 and were signed on its behalf by:

Mark Rutherford
Director

Gregory Elswood
Director

QW Rail Leasing Limited

Statement of cash flows
for the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Cash received from customers		**16,639**	13,636
Cash paid to suppliers		**(159)**	(193)
Interest received		**7**	7
Interest paid on borrowings		**(10,354)**	(9,497)
Receipt of consortium relief and working capital loan from shareholders		**721**	4,184
Net receipt / (payment) of VAT		**2,318**	(1,857)
Net cash generated from operating activities		**9,172**	6,280
Cash flows from investing activities			
Purchase of property, plant and equipment		**(18,669)**	(26,267)
Net cash used in investing activities		**(18,669)**	(26,267)
Cash flows from financing activities			
Net increase in borrowings		**10,616**	19,505
Net cash generated from financing activities		**10,616**	19,505
Net increase / (decrease) in cash and cash equivalents		**1,119**	(482)
Cash and cash equivalents at beginning of year		**899**	1,381
Cash and cash equivalents at end of year	11	**2,018**	899

QW Rail Leasing Limited

Notes to the financial statements for the year ended 31 March 2016

1 Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

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 2015 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 2018) 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'.

• IFRS 16 (new standard) "Leases" (effective from 1 January 2019) will replace IAS 17 as the new standard for accounting for leases. Since QW Rail acts as an operating lessor, it is not anticpated that the implementation of the new standard will have a material impact on the Financial Statements of the Company. The operating lessor accounting model under IFRS 16 is based on IAS 17 lessor accounting.

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.

1 Principal accounting policies (continued)

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.

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 year useful economic life of approximately 35 years. 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.

Functional and Presentational Currency

The Financial Statements are presented in pounds sterling, which is the Company's functional and presentational currency. All references to "£" are to pounds sterling unless otherwise stated.

1 Principal accounting policies (continued)

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 2016.

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 2016 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 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 on hand and at bank.

Share capital

Ordinary shares are classified as equity.

Notes to the financial statements for the year ended 31 March 2016

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 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. 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 £18,027,000 (2015: £12,077,000).

4 Loss before taxation

Loss before taxation has been stated after charging:

	2016 £'000	2015 £'000
Audit services		
Fees payable to company auditor for the audit of the company	12	15
Depreciation	10,802	8,186

5 Employees

The company had no employees during the year (2015: none).

6 Directors' emoluments

The directors did not receive any remuneration for their services to the company during the year (2015: £nil).

7 Finance costs and income

	2016	2015
	£'000	£'000
Finance costs:		
Interest payable on related party loans (note 17)	**(4,358)**	(3,552)
Interest payable on bank loan	**(6,116)**	(6,027)
Less: capitalised borrowing costs (note 9)	**290**	1,539
	(10,184)	(8,040)
Finance income:		
Interest receivable on short-term bank deposits	**7**	7
Net finance costs	**(10,177)**	(8,033)

8 Income tax credit

	2016	2015
	£'000	£'000
Current income tax		
UK corporation tax – consortium relief receivable	**1,706**	2,350
Adjustment in respect of prior period	**11**	22
Total current income tax credit	**1,717**	2,372
Deferred income tax		
Origination and reversal of timing differences	**(1,147)**	(1,377)
Adjustment in respect of rate change	**2,976**	66
Total deferred income tax (charge) / credit (note 14)	**1,829**	(1,311)
Total income tax credit	**3,546**	1,061

8 Income tax credit (continued)

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK (20%). The differences are explained below:

	2016	2015
	£'000	£'000
Loss before taxation	**3,107**	4,324
Loss multiplied by the standard rate of corporation taxation in the UK 20% (2015: 21%)	**621**	908
Adjustment in respect of prior periods	**(51)**	22
Non-taxable items	**-**	65
Rate adjustment for deferred taxation	**2,976**	66
Total income tax credit	**3,546**	1,061

Factors that may affect future tax charges

The statutory rate of UK corporation tax reduced to 20% on 1 April 2015 (Finance Act 2013). Under IAS 12 deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been substanitvely enacted at the balance sheet date. Accordingly, the deferred tax balance as at 31 March 2016 has been reflected at the tax rate expected to be realised.

On 26 October 2015, the Finance Act (No.2) 2015 was substantively enacted. This will reduce the mainstream corporation tax rate from 20% to 19% from 1 April 2017 with a subsequent 1% reduction to 18% effective 1 April 2020.

On 16 March 2016, the Chancellor of the Exchequer announced a further reduction to the corporation tax rate to 17% effective from 1 April 2020; this change was substantively enacted after the Balance Sheet date. The maximum effect on deferred tax of reduction in the UK corporation tax rate to 17% is expected to be £1,487,854.

QW Rail Leasing Limited

Notes to the financial statements for the year ended 31 March 2016

9 Property, plant and equipment

	Rail rolling stock		
	Completed trains	In course of construction	Total
	£'000	£'000	£'000
Cost			
At 1 April 2015	327,731	30,071	357,802
Additions	-	15,155	15,155
Transfer	45,226	(45,226)	-
At 31 March 2016	**372,957**	**-**	**372,957**
Depreciation			
At 1 April 2015	39,551	-	39,551
Charge for the year	10,802	-	10,802
At 31 March 2016	**50,353**	**-**	**50,353**
Net book value			
At 31 March 2016	**322,604**	**-**	**322,604**
At 31 March 2015	288,180	30,071	318,251

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 leases with RfL for the leasing of these trains run until June 2027.

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 £290,000 (2015: £1,539,000) representing capitalised borrowing costs (see note 7).

The weighted average interest rate used to determine the amount of borrowing eligible for capitalisation was 3.3% (2015: 3.2%).

Depreciation of the trains commences upon date of delivery.

9 Property, plant and equipment (continued)

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

	2016	2015
	£'000	£'000
Not later than one year	**23,672**	21,893
Between one and five years	**95,048**	95,350
Later than five years	**148,512**	195,321
Total	**267,232**	312,564

10 Trade and other receivables

	2016	2015
	£'000	£'000
Trade receivables	**4**	4
Social security and other taxes	**-**	2,175
Consortium relief receivable (note 17)	**426**	571
	430	2,750

No trade receivables were overdue as at 31 March 2016 (2015: £nil).

11 Cash and cash equivalents

	2016	2015
	£'000	£'000
Cash at bank and on hand	**2,018**	899

12 Trade and other payables

	2016	2015
	£'000	£'000
Trade payables	**6**	4,578
Amounts owed to related parties	**5,839**	6,981
Social security and other taxes	**902**	-
Accruals and deferred income	**8,151**	9,415
	14,898	20,974

13 Borrowings

	2016 £'000	2015 £'000
Non-current:		
Amounts owed to related parties*:		
National Australia Bank, London Branch	**76,991**	72,182
Sumitomo Mitsui Banking Corporation Europe Limited and SMBC Leasing and Finance Inc., London Branch	**76,991**	72,182
Amounts owed to European Investment Bank	**145,616**	144,616
Total borrowings	**299,598**	288,980

*A 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. A further joint funding agreement between National Australia Bank, London Branch and SMBC Leasing and Finance Inc., London Branch, and the company, provides for a credit facility of £22,500,000, which is made available to the company until 14 July 2027. Both facilities allow 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 outstanding amounts owed to Sumitomo Mitsui Banking Corporation Europe Limited and SMBC Leasing and Finance Inc., London Branch as at the balance sheet date are £54.5m (2015: £54.3m) and £22.5m (2015: £17.9m), respectively.

Funding agreements between European Investment Bank and the company provide for a credit facilities of £130,000,000 and £45,000,000, both of which are made available to the company until 14 April 2027. Interest under these facilities is charged at fixed rates. Repayments of the £130m facility commenced on 14 October 2011 and repayment of the £45m facility commenced on 14 October 2015. Final repayment under both facilities is scheduled to occur on 14 April 2027.

The carrying value of the borrowings are 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.

Notes to the financial statements for the year ended 31 March 2016

14 Deferred income tax

Deferred income tax is calculated in full on the temporary differences under the liability method using the tax rate of 18% (2015: 20%) The deferred income tax liability to be recovered after more than one year is as follows:

	2016	2015
	£'000	£'000
At 1 April	**28,610**	27,299
Charged / (credited) to the income statement (note 8)	**(1,829)**	1,311
At 31 March	**26,781**	28,610

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

Deferred tax liabilities	**Accelerated tax depreciation**	**Capitalised interest**	**Total**
	£'000	**£'000**	**£'000**
At 1 April 2015	32,153	1,733	33,886
Charged to the income statement	(2,149)	(173)	(2,322)
At 31 March 2016	**30,004**	**1,560**	**31,564**

Deferred tax assets	**Tax losses**	**Other**	**Total**
	£'000	**£'000**	**£'000**
At 1 April 2015	(5,276)	-	(5,276)
Charged to the income statement	493	-	493
At 31 March 2016	**(4,783)**	**-**	**(4,783)**

Net deferred tax liability			
31 March 2016	**25,221**	**1,560**	**26,781**
31 March 2015	26,877	1,733	28,610

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

15 Share capital

	2016	2015
	£'000	£'000
Authorised		
100,000 Ordinary shares of £1 each	**100**	100
Allotted and fully paid		
100,000 Ordinary shares of £1 each	**100**	100

16 Commitments

Capital expenditure contracted for at the balance sheet date but not incurred is as follows:

	2016	2015
	£'000	£'000
Rail rolling stock	**14**	14,860

17 Related party transactions

The company has several related parties which are fellow group undertakings of its two shareholders 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 £4,173,000 (2015: £2,582,000) of interest payable to these two related parties in equal proportions.

(ii) Consortium relief and working capital loans

The consortium relief credit calculated by the company from the surrender of its current year (and additionally surrendered prior year) losses to its shareholders, amounted to £1,717,000 (2015: £2,372,000). At 31 March 2016, amounts owed by/(to) the shareholders (and their affiliates) in respect of consortium relief and related working capital loans were as follows:

	2016	2015
	£'000	£'000
SMBC Leasing (UK) Limited and SMBC Leasing and Finance, Inc., London Branch	**(5,839)**	(5,679)
National Australia Finance (Infrastructure Leasing No.2) Limited	**426**	571

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

17 Related party transactions (continued)

(ii) Fees paid to related entities

During the year, the company paid fees to related entities in respect of professional services as follows:

	2016	2015
	£'000	£'000
Sumitomo Mitsui Banking Corporation Europe Limited and SMBC Leasing (UK) Limited	**40**	40
National Australia Bank Limited, London Branch	**93**	93

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.

19 Post balance sheet events

There were no post balance sheet events.