

Copy Accounts

Wabtec Rail Scotland Ltd
06401040

REGISTERED NUMBER: 2923485

WABTEC RAIL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2012

MONDAY



A2KXHR8B

A06

11/11/2013

#140

COMPANIES HOUSE

WABTEC RAIL LIMITED**ANNUAL REPORT AND FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2012**

<u>CONTENTS</u>	<u>PAGES</u>
Directors' Report	1 - 3
Auditors' Report	4
Statement of Accounting Policies	5 - 8
Profit and Loss Account	9
Statement of Total Recognised Gains and Losses	10
Balance Sheet	11
Notes to the Financial Statements	12 - 26

<u>COMPANY INFORMATION</u>		
The company was incorporated on 27 April 1994 and commenced to trade on 8 November 1994		
Directors	Ray Betler Keith Hildum Christopher J Weatherall	(USA) (USA) Managing Director
Secretary	A G Secretarial Ltd	
Registered Office	100 Barbirolli Square, Manchester, M2 3AB	
Registered Number	2923485 (Cardiff)	
Bankers	National Westminster Bank Plc JP Morgan	Doncaster London
Auditors	Ernst & Young LLP	Leeds

WABTEC RAIL LIMITED: REGISTERED NUMBER. 2923485

FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 31 December 2012.

Results and dividends

The profit for the year, after taxation, amounted to £12,842,000 (2011: £10,187,000). The directors do not recommend the payment of any dividends (2011 £nil).

Principal Activities

The company manufactures railway rolling stock and track-side equipment, and overhauls, repairs, services and maintains railway rolling stock, wheelsets and other mechanical and electrical rolling stock equipment. This work is undertaken primarily for operators of traffic on the United Kingdom railway network, companies engaged in maintaining the network infrastructure, and commercial concerns utilising locomotives and other rolling stock on their own industrial sites. It is also engaged in general engineering and fabrication.

Business Review and Future Developments

In the opinion of the directors, the result for the year and the year end financial position reflects a strong performance for the company given the effect of the economic situation on the UK railway industry. During the period the Company has realigned its resources and has managed to maintain a satisfactory level of both profit and cash generation despite the difficult trading conditions. It is expected that this realignment will continue to benefit the Company as the railway industry improves over the foreseeable future.

On 28 February 2011, Wabtec Rail Limited acquired the Brush Traction Group, a UK-based provider of locomotive overhauls, services and aftermarket components for a net purchase price of £19.2 million. Within the Brush Traction Group of operations are the Brush Traction facility at Loughborough, England and also the Brush Barday facility (now re-named Wabtec Rail Scotland). At the time of the acquisition the trade and assets of Brush Traction were transferred at the net book value to Wabtec Rail Limited to form the Wabtec Rail Group. Wabtec Rail Scotland Limited continued to trade independently for the 2011 year. The trade and assets of Wabtec Rail Scotland were transferred into Wabtec Rail Limited on the 31 December 2011.

Principal risks and uncertainties

Strategic, financial, commercial, operational, social, environmental and ethical risks are all considered as part of the company's controls, which are designed to manage rather than eliminate the risk of failure to achieve business objectives. Therefore they can only provide reasonable, not absolute, assurance against material misstatement or loss. Although at present there are no immediate risks considered likely to have a significant impact on the short or long term value of the company, the principal risks identified are as follows:

- The business is dependent upon key customers
- The business operates in a highly competitive industry
- Revenues are subject to cyclical variations in the railway and passenger transit markets and changes in government spending
- Prolonged unfavourable economic and market conditions could adversely affect the business.
- The business is subject to a variety of environmental laws and regulations
- The business's warranties or product liability may expose it to potentially significant claims
- Labour disputes may have a material adverse effect on our operations and profitability.
- From time to time the business becomes engaged in contractual disputes with customers.

WABTEC RAIL LIMITED: REGISTERED NUMBER: 2923485

FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS' REPORT (Continued)

Key performance indicators

The Company considers that the following analysis reflects its key performance indicators -

- Turnover increased by 7.4% excluding acquisitions (2011: increased by 11.0%)
- Operating profit increased to 12% of turnover in 2012 (2011: 11%) excluding acquisitions. This reflects the benefits associated with the restructuring performed during 2009 and a continued focus on lean manufacturing in line with Wabtec Performance Systems (WPS).

Directors

The Directors holding office during the year were as follows

C J Weatherall
K Hildum (USA)
R Betler (USA)

Property values

The directors are of the opinion that the market value of land and buildings is in excess of the book amount at which they are included in these financial statements. However, in the absence of a professional valuation they are unable to quantify such excess.

Employee involvement

The company operates a structured employee relations programme, which involves employees at all levels in matters that are relevant and may be of interest to them, by means of oral and written communication as appropriate, and by meetings with them and their appropriate representatives.

Employment of Disabled Persons

In considering applications for employment by disabled people, the company seeks to ensure that full and fair consideration is given to the abilities and aptitudes of the applicant against the requirements of the job for which he or she has applied.

It is the company policy that employees who become unable to carry out the job for which they are employed are given individual consideration. Depending on the nature, severity and duration of the disability, individuals may be considered for alternative work, including retraining if necessary.

It is the company's policy to encourage training, career development and promotion opportunities for all employees on the basis of individual aptitude and abilities and the business requirements of the organisation. Disabled employees may be eligible for special training if there is a particular need.

Political and Charitable Gifts

No gifts of a political nature and £nil of a charitable nature were made during the year (2011: £Nil & £Nil).

WABTEC RAIL LIMITED: REGISTERED NUMBER: 2923485

FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS' REPORT (Continued)

Directors' qualifying third party indemnity provisions

The company has granted an indemnity to all of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies 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.

Disclosure of Information to the auditors

As at the date of this report, so far as each director is aware there is no relevant audit information of which the company's auditors are unaware and each director has taken such steps as he should have taken as a director in order to make him aware of any relevant audit information and to establish that the company's auditor is aware of that information

THE ACCOUNTS WERE APPROVED BY THE BOARD ON 20 SEPTEMBER 2013 AND SIGNED ON ITS BEHALF BY



C Weatherall
Director

WABTEC RAIL LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WABTEC RAIL LIMITED

We have audited the financial statements of Wabtec Rail Limited for the year ended 31 December 2012 which comprise the, the Statement of Accounting Policies, the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 3), 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 Annual 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 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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.

Ernst & Young LLP

Peter Buckler (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

26 September 2013

WABTEC RAIL LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2012

STATEMENT OF ACCOUNTING POLICIES

1. Basis of Accounting, Principal Accounting Policies and New Standards Adopted

The financial statements are prepared under the historical cost convention, and in accordance with applicable United Kingdom accounting standards.

The accounting policies are consistent with prior year and a summary of the more important accounting policies is set out below.

The accounting reference date of the company is 31 December. The 2012 accounts reflect the year ended on 31 December 2012. (2011: year ended on 30 December 2011)

2. Going Concern Review

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 1 to 3. The financial position of the company, liquidity position and borrowing are detailed in the Primary Financial Statements on pages 9 to 11. In addition, notes on pages 12 to 26 of the financial statements show details of the company's borrowings and interest costs.

The company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographical areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The management have reviewed the company forecast for financial year 2013/14.

The directors have 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 annual financial statements.

3. Turnover

Turnover represents the value of services and production completed and despatched, or accepted by customers during the period other than for long term contracts where turnover is calculated in accordance with Accounting Policy Note 13, and is stated net of value added tax.

4. Tangible Fixed Assets

Fixed assets are stated in the balance sheet at purchase cost, together with any incidental costs of acquisition, less accumulated depreciation and provision for any impairment.

Depreciation has been provided to write off the cost of tangible fixed assets, less their estimated residual values, in equal annual instalments over their estimated useful lives.

The principal annual rates applied are as follows.

Buildings	5%
Plant, equipment, and fittings	5% to 33%

Depreciation is charged from the month in which the asset is brought into use, and ceases in the month prior to that of its disposal other than freehold land, which is not depreciated.

WABTEC RAIL LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2012

STATEMENT OF ACCOUNTING POLICIES (Continued)

5. Goodwill

Goodwill arising on a business combination represents the difference between the cost of acquisition and the Company's consolidated interest in the fair value of the identifiable assets and liabilities of a subsidiary or joint venture as at the date of acquisition.

Goodwill is recognised as an asset and will be amortised over a period of 19 years. The impairment is recognised immediately in the income statement and is not subsequently reversed.

6. Stocks and Work in Progress

Stocks of raw materials are valued at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and, where necessary, provision is made for obsolete, slow moving, and defective stocks.

Work in progress is valued at cost less foreseeable losses, cost of work in progress consists of direct material costs, subcontractors' charges, direct labour and attributable overheads.

Stocks of manufactured items are valued at the lower of cost, which includes attributable overheads, and net realisable value.

7. Advances on Contracts

Advances on contracts represent the excess of payments on account over the cost incurred at the balance sheet date of the relevant contracts.

8. Production Tools

Expenditure on production tools and indirect materials is written off in the period in which they are issued to production.

9. Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold, and
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

WABTEC RAIL LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2012

STATEMENT OF ACCOUNTING POLICIES (Continued)

10. Leased Assets and Obligations

All leases are operating leases and the annual rentals are charged to the profit and loss account on a straight line basis over the period of the lease term.

11. Pensions and other post-retirement benefits

The Company operates a defined benefit pension scheme, which requires a contribution to be made to a separately administered fund.

The cost of providing benefits under the defined benefit plan is determined using the projected unit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in profit or loss on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement or a curtailment occurs the charge in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss which is recognised in the profit and loss account. Losses are measured at the date that the employer becomes demonstrably committed to the transaction and gains when all parties whose consent is required are irrevocably committed to the transaction.

The interest element of the defined benefit cost represents the change in present value of scheme obligations relating from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest costs is recognised in the income statement as other finance income or expense.

Actuarial gains and losses are recognised in full in the statement of recognised gains and losses in the period in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds that have been rated at AA or equivalent status), less any past service cost not yet recognised and less the fair-value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

The company also operates a defined contribution scheme available for those of its employees and directors not eligible for membership of the defined benefit scheme. Contributions to this scheme are recognised in the income statement in the period in which they become payable.

12. Foreign Exchange

Assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. The difference arising from changes in exchange rate on revenue transactions is dealt with through the profit and loss account.

WABTEC RAIL LIMITED**FOR THE YEAR ENDED 31 DECEMBER 2012****STATEMENT OF ACCOUNTING POLICIES (Continued)****13. Long-Term Contracts**

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated to reflect the proportion of the work carried out at the year-end, by recording turnover and related costs (as defined in stocks above) as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when the customer has accepted them. Full provision is made for losses on all contracts in the year in which they are first foreseen.

14. Cash Flow Statement

Under FRS 1 (Revised 1996) the company is exempt from the requirement to prepare a cashflow statement on the grounds that it is a wholly owned subsidiary undertaking and consolidated financial statements in which the company is included are publicly available

15. Group Financial Statements

The report and financial statements present information about the company as an individual undertaking and not about its group. The company is exempt from preparing group financial statements by virtue of section 401 of the Companies Act 2006.

The company is included in the consolidated financial statements of the Westinghouse Air Brake Technologies Corporation Inc (USA).

16. Share-based payments

The parent company Westinghouse Air Brake Technologies Corporation Inc grants share options to certain employees. The cost of equity settled transactions with employees is measured by reference to the fair value, determined using an appropriate pricing model, at the date at which they are granted. The cost is recognised, together with a corresponding increase in equity, over the period in which non-market vesting conditions are fulfilled. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired, and is adjusted to reflect the directors' estimate of the number of equity instruments that will ultimately vest. For cash-settled transactions, fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled.

WABTEC RAIL LIMITED**PROFIT AND LOSS ACCOUNT**
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Year ended 31 December 2012	Year ended 31 December 2012	Year ended 31 December 2012	Year ended 31 December 2011
		Continuing Operations	Acquisitions	Total	Total
		£'000	£'000	£'000	£'000
TURNOVER	2	110,444	9,563	120,007	102,845
Change in stocks		(1,737)	3,835	2,098	(3,650)
Raw materials and consumables		(40,539)	(10,340)	(50,879)	(46,779)
Other operating charges		(24,415)	(267)	(24,682)	(13,418)
Staff costs	6	(29,668)	(2,327)	(31,995)	(25,797)
Depreciation of tangible fixed assets		(895)	(90)	(985)	(842)
OPERATING PROFIT	3	13,190	374	13,564	12,359
Net interest	4			(177)	182
Profit on ordinary activities before taxation				13,387	12,541
Taxation on profit on ordinary activities	7			545	(2,354)
Retained profit for the financial year	16			12,842	10,187

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historic cost equivalents, and therefore no statement of historical cost profits and losses has been prepared.

The accompanying notes are an integral part of this profit and loss account.

WABTEC RAIL LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Profit for the financial year	12,842	10,187
Actuarial (loss)/gain recognised on pension scheme	106	(4,068)
Deferred tax relating to actuarial gains & losses on pension scheme	(26)	1,017
Total recognised gains and losses for the year and since last annual report	12,922	7,136

WABTEC RAIL LIMITED**BALANCE SHEET**
AT 31 DECEMBER 2012

	Notes	31 December 2012 £'000	31 December 2011 £'000
Fixed Assets			
Goodwill	8	18,341	18,813
Tangible fixed assets	9	10,855	8,116
Investment in subsidiary	10	-	3,202
		<u>29,196</u>	<u>30,131</u>
Current Assets			
Stocks	11	22,599	15,043
Debtors	12	25,381	30,503
Cash at bank and in hand		17,656	9,966
		<u>65,636</u>	<u>55,512</u>
Current Liabilities			
Creditors (amounts falling due within one year)	13	(33,573)	(36,604)
Net Current Assets		<u>32,063</u>	<u>18,908</u>
Total Assets less Current Liabilities		61,259	49,039
Provisions for liabilities Deferred taxation	14	(462)	(430)
Net Assets excluding Pension Liabilities		<u>60,797</u>	<u>48,609</u>
Pension liabilities (net of deferred taxation)	18 2	(3,973)	(4,707)
Net Assets including Pension Liabilities		<u>56,824</u>	<u>43,902</u>
Capital and Reserves			
Called up share capital	15	1,756	1,756
Share premium account	16	3,630	3,630
Share based payment reserve	16	357	357
Capital redemption reserve	16	424	424
Profit and loss account	16	50,657	37,735
		<u>56,824</u>	<u>43,902</u>

The accompanying notes are an integral part of this balance sheet

The financial statements on pages 5 to 26 were approved by the Board of Directors on 20 September 2013 and were signed on its behalf by


C Weatherall
Director

Company Number. 2923485

WABTEC RAIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012****1. Accounting policies**

The accounting policies of the company are set out on pages 5 to 8 of these financial statements

2. Turnover and profit on ordinary activities

All of the company's turnover net of value added tax, and its profit from ordinary activities, for the year was derived from the provision of railway and general engineering products and services, and originated from the United Kingdom

3. Operating profit

Is stated after charging the following

	2012 £'000	2011 £'000
Amortisation of goodwill	1,019	-
Depreciation of owned tangible fixed assets	985	842
Operating leases – hire of plant and machinery	1,250	1,117
Auditors' remuneration Audit fees	52	90
Exchange loss on foreign currency transactions	(45)	93
Loss on disposal of tangible fixed assets	-	10
	<u>-</u>	<u>10</u>

4. Net interest payable

	2012 £'000	2011 £'000
Interest payable on		
Bank and other interest payable	-	-
Finance charge on pension scheme liabilities (note 18 7)	(194)	127
	<u>(194)</u>	<u>127</u>
Interest receivable on		
Bank interest receivable	17	55
Interest on corporation tax repayment	-	-
	<u>(177)</u>	<u>182</u>

5. Directors' remuneration

The remuneration of the directors was:

	2012 £'000	2011 £'000
Aggregate emoluments	<u>255</u>	<u>225</u>
	2012 No.	2011 No.
Number of directors who received shares in respect of qualifying services	<u>1</u>	<u>1</u>
Number of directors who exercised share options	<u>1</u>	<u>1</u>
Number of directors covered by a defined benefit pension scheme during the year	<u>1</u>	<u>1</u>

WABTEC RAIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012** (continued)**5. Directors' remuneration (continued)**

	2012 £'000	2011 £'000
In respect of the highest paid director		
Aggregate emoluments	<u>255</u>	<u>225</u>
Accrued pension at the end of the year	<u>25</u>	<u>22</u>
Accrued lump sum at the end of the year	<u>30</u>	<u>28</u>

The highest paid director did not exercise share options during the year. The remaining 2 directors are not paid through Wabtec Rail Limited.

6. Employees

The average monthly number of persons employed by the company (including executive directors) during the year was.

	2012 Number	2011 Number
Management and administration	207	173
Production and sales	<u>701</u>	<u>576</u>
	<u>908</u>	<u>749</u>

The aggregate payroll cost of these personnel was as follows

	2012 £'000	2011 £'000
Wages and salaries	28,960	23,009
Social security costs	2,626	2,057
Share-based payment expense (note 22)	120	119
Other pension costs - defined benefit scheme	128	128
- defined contribution scheme	161	484
	<u>31,995</u>	<u>25,797</u>

7. Taxation

	2012 £'000	2011 £'000
7.1 Tax on profit on ordinary activities		
Current tax		
UK Corporation tax	<u>812</u>	<u>2,116</u>
	<u>827</u>	<u>2,116</u>
Adjustments in respect of prior years		
- UK Corporation tax	<u>(655)</u>	<u>10</u>
Total current tax (note 7.2)	<u>157</u>	<u>2,126</u>
Deferred tax		
Origination and reversal of timing differences (note 7.3)	32	244
Adjustment in respect of prior years (note 7.3)	-	(11)
Pension liability	356	(5)
Total deferred tax	<u>388</u>	<u>228</u>
Total tax on profit on ordinary activities	<u>545</u>	<u>2,354</u>

WABTEC RAIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012** (continued)**7. Taxation** (continued)**7.2 Factors affecting current tax charge**

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2012 £'000	2011 £'000
Profit on ordinary activities before taxation	13,387	12,541
Tax on profit on ordinary activities at standard UK corporation tax rate of 24.50% (2011 26.49%)	3,280	3,322
Effects of		
Expenses not deductible for tax purposes	238	54
Accelerated capital allowances	(12)	(271)
Short-term timing differences	(273)	725
Utilisation of tax losses	(2,405)	(638)
Items charged elsewhere	(16)	(1,077)
Adjustment in respect of prior years	(655)	11
Current tax charge for the year (note 7.1)	157	2,126

7.3 Deferred tax liability

	2012 £'000	2011 £'000
Movement of deferred tax balance in the period		
At 1 January 2012	430	197
Charge in the profit and loss account (note 7.1)	32	233
At 31 December 2012	462	430

7.4 Factors that may affect future tax charges

The Finance Act 2012, which was substantively enacted in July 2012, included provisions to reduce the rate of corporation tax to 23% with effect from 1 April 2013. The government has announced that it intends to further reduce the rate of corporation tax to 21% with effect from 1 April 2014 and 20% from 1 April 2015. As this legislation was not substantively enacted by 31 December 2012, the impact of the anticipated rate change is not reflected in the tax provisions reported in these accounts.

WABTEC RAIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)****8. Goodwill**

	Total £'000
At 1 January 2012 (note 9)	18,813
Additions (note 9)	547
Amortisation (note 3)	(1,019)
At 31 December 2012	<u>18,341</u>

9. Tangible fixed assets

Cost	Freehold Land and Buildings £'000	Plant, Equipment and Fittings £'000	Total £'000
At 1 January 2011	1,125	12,491	13,616
Additions	119	1,313	1,432
Assets transferred	1,742	550	2,292
Disposals	-	-	-
At 31 December 2012	<u>2,986</u>	<u>14,354</u>	<u>17,340</u>
Depreciation			
At 1 January 2011	433	5,067	5,500
Provided during the year	54	931	985
Disposals	-	-	-
At 31 December 2012	<u>487</u>	<u>5,998</u>	<u>6,485</u>
Net Book Value			
At 31 December 2012	<u>2,499</u>	<u>8,356</u>	<u>10,855</u>
At 31 December 2011	<u>692</u>	<u>7,424</u>	<u>8,116</u>

Freehold Land and Buildings includes £723,750 (2011: £220,000) at cost relating to land

On 31 December 2011 the company transferred in the trade and assets of Wabtec Rail Scotland Limited. The assets of Wabtec Rail Scotland Limited have been included in the company's balance sheet at their fair value at the date of transfer.

WABTEC RAIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012** (continued)**9. Tangible fixed assets** (continued)

Analysis of the acquisition in Wabtec Rail Scotland Limited

Net assets at date of acquisition

	Book value £'000	Revaluation adjustments £'000	Fair value to the group £'000
Tangible fixed assets	2,292	-	2,292
Stocks	476	-	476
Debtors	1,076	-	1,076
Creditors due within one year	(1,423)	-	(1,423)
	<u>2,421</u>	<u>-</u>	<u>2,421</u>
Goodwill arising on acquisition			<u>547</u>
			<u>2,968</u>
Discharged by:			
Reduction in the intercompany balance			<u>2,968</u>
			<u>2,968</u>

On 28 February 2011 the company acquired the trade and assets of Brush Traction Limited for a consideration of £15,851,000. The investment in Brush Traction Limited has been included in the company's balance sheet at its fair value at the date of acquisition.

Analysis of the acquisition in Brush Traction Limited

Net assets at date of acquisition

	Book value £'000	Revaluation adjustments £'000		Fair value to the group £'000
Tangible fixed assets	2,045	1,197	(a)	3,242
Stocks	4,249	117	(b)	4,366
Debtors	5,994	(115)	(c)	5,879
Cash	4,540	(4,540)	(d)	-
Creditors due within one year	(9,485)	-		(9,485)
Provisions for warranties	(6,934)	-		(6,934)
	<u>409</u>	<u>(3,341)</u>		<u>(2,932)</u>
Goodwill arising on acquisition				<u>18,813</u>
				<u>15,881</u>
Discharged by				
Cash consideration				15,735
Costs associated with the acquisition				<u>146</u>
				<u>15,881</u>

Adjustments

- (a) Increase in the value of the tangible fixed assets to current replacement cost
- (b) Increase in the value of stock to its fair value
- (c) Decrease in the value of debtors on removal of previous intercompany balances
- (d) Removal of the cash held at acquisition as used to settle previous intercompany balances

WABTEC RAIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)****10. Investments**

	Loans £'000	Shares £'000	Total Investment £'000
At 1 January 2010	-	-	-
Acquisitions	3,202	-	3,202
At 30 December 2011	3,202	-	3,202
Transfer of assets	(3,202)	-	(3,202)
At 31 December 2012	-	-	-

On 28 February 2011 the company acquired the entire share capital of Brush Barclay Limited (now renamed Wabtec Rail Scotland Limited) and a loan note of £5,011,000 for a consideration of £3,202,000. The investment in Wabtec Rail Scotland Limited has been included in the company's balance sheet at its fair value at the date of acquisition

The company will issue a guarantee under Section 479(C) of the Companies Act 2006 for the year ended 31 December 2012 in respect of Wabtec Rail Scotland Limited, company number 06401040, registered in England and Wales. The company guarantees all outstanding liabilities to which the subsidiary company is subject to at 31 December 2012, until they are satisfied in full and the guarantee is enforceable against the company by any person to whom the subsidiary company is liable in respect of those liabilities. The subsidiary has taken advantage of the exemption from audit by virtue of Section 479(A) of the Companies Act 2006

11. Stocks

	2012 £'000	2011 £'000
Stocks comprise:		
Raw materials and consumables	9,452	6,021
Work in progress	13,147	9,022
Less: Payments on account	-	-
	22,599	15,043

In the opinion of the directors, the replacement cost of stock is not materially different from the carrying value

12. Debtors

	2012 £'000	2011 £'000
Amounts falling due within one year:		
Trade debtors	12,859	18,941
Due from group companies	1,434	5,983
Corporation tax	1,326	-
Prepayments and accrued income	9,762	5,579
	25,381	30,503

WABTEC RAIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)****13. Creditors**

	2012 £'000	2011 £'000
Amounts falling due within one year.		
Trade creditors	10,837	12,979
Due to group companies	342	154
Corporation tax	-	235
Other taxation and social security	2,684	4,071
Advances on contracts	9,290	8,275
Other creditors	8,320	8,321
Accruals and deferred income	2,100	2,569
	<u>33,573</u>	<u>36,604</u>

14 Provisions for liabilities**Deferred taxation (asset) / liability**

	2012 £'000	2011 £'000
Accelerated capital allowances	474	197
Short term timing differences	(12)	233
	<u>462</u>	<u>430</u>

15. Called up Share Capital

	Allotted, called up and fully paid	
	2012 £'000	2011 £'000
Allotted, called up and fully paid		
1,756,000 (2011: 1,756,000) Ordinary Shares of £1	<u>1,756</u>	<u>1,756</u>

16. Reserves

	Share Premium Account £'000	Share Based Payment Reserve £'000	Capital Redemption Reserve £'000	Profit and Loss Account £'000	Total £'000
At 1 January 2012	3,630	357	424	37,735	42,146
Changes in actuarial value of retirement benefits	-	-	-	106	106
Tax on changes in actuarial value of retirement benefits	-	-	-	(26)	(26)
Share-based payment charge	-	120	-	-	120
Requirement to repay Share based charge	-	(120)	-	-	(120)
Profit for the year retained	-	-	-	12,842	12,842
At 31 December 2012	<u>3,630</u>	<u>357</u>	<u>424</u>	<u>50,657</u>	<u>55,068</u>

WABTEC RAIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)****17. Reconciliation of movements in shareholders' funds**

	2012 £'000	2011 £'000
Profit for the financial year	12,842	10,187
Share-based payment charge	120	119
Share based payment owed to Wabtec Corporation	(120)	(119)
Changes in actuarial value of retirement benefits	106	(4,068)
Tax on changes in actuarial value of retirement benefits	(26)	1,017
Net addition to shareholders' funds	12,922	7,136
Opening shareholders' funds	43,902	36,766
Closing shareholders' funds	56,824	43,902

18. Pension commitments

The employer operates the RFS Pension Scheme ("the Scheme"), a funded defined benefit pension scheme, for its employees. The scheme was closed to new entrants with effect from 1 January 2000. The disclosures set out below are based on calculations carried out as at 31 December 2012 by a qualified independent actuary.

The Scheme's assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the Scheme are required to act in the best interests of the Scheme's beneficiaries. The appointment of members of the trustee board is determined by the trust documentation.

The liabilities of the defined benefit Scheme are measured by discounting the best estimate of future cash flows to be paid out of the Scheme using the projected unit method. This amount is reflected in the deficit in the balance sheet. The projected unit method is an accrued benefits valuation method in which the Scheme's liabilities make allowance for projected earnings.

The liabilities set out in this note have been calculated based on the most recent full actuarial valuation at 5 April 2010, updated to 31 December 2012. The results of the calculations and the assumptions adopted are shown below.

As at 31 December 2012, contributions were payable to the Scheme by the company at the rates set out in the schedule of contributions dated 4 July 2011. Prior to 4 July 2011, contributions payable were as set out in the schedule of contributions dated 25 September 2008. The company contributions expected to be made in the year commencing 1 January 2013 are approximately £1.3m.

WABTEC RAIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012** (continued)**18. Pension commitments (continued)****18.1 Key final assumptions**

The principal assumptions used by the actuary at the balance sheet date, together with the assumptions used at 31 December 2012, were:-

	2012	2011
Discount rate	4.50% pa	4.70% pa
Expected return on Scheme assets (overall)	5.10% pa	4.97% pa
Equities	6.30% pa	6.25% pa
Index-linked gilts	2.55% pa	2.65% pa
Corporate bonds	4.50% pa	4.70% pa
Diversified growth	5.80% pa	N/A
Revaluation of deferred pensions	2.70% pa	2.90% pa
Rate of increase in salaries	3.20% pa	3.40% pa
Rate of increase in pensions in payment		
RPI	2.70% pa	2.90% pa
RPI, limited to 2.5% pa	2.50% pa	2.50% pa
Cash commutation	Nil	Nil
Mortality	S1PA tables, year of birth, medium cohort projection, age rated +2 years	S1PA tables, year of birth, medium cohort projection, age rated +2 years
Life expectancy of male aged 65 now	19.0	19.0
Life expectancy of male aged 65 in 20 years	20.1	20.1
Life expectancy of female aged 65 now	21.4	21.4
Life expectancy of female aged 65 in 20 years	22.4	22.3

The expected return on assets is a weighted average of the individual asset categories and their expected rates of return, which are determined by consideration of historical experience and current market factors. Increases in pensions in payment, and deferred pensions subject to statutory revaluation, have been assumed to increase in line with future price inflation, restricted to various maxima where applicable.

18.2 Reconciliation to balance sheet

	2012 £000's	2011 £000's
Fair value of Scheme assets	32,649	30,117
Actuarial value of Scheme liabilities	(37,809)	(36,393)
Surplus / (deficit) in the Scheme	(5,160)	(6,276)
Related deferred tax	1,187	1,569
Pension liability recognised in balance sheet*	(3,973)	(4,707)

The major categories of Scheme assets as a percentage of total Scheme assets were

	2012	2011
Equities	57%	54%
Bonds	22%	21%
Diversified growth funds	21%	25%
Other	0%	0%
Total	100%	100%

WABTEC RAIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)**18. Pension commitments (continued)****18.3 Amounts recognised in the profit and loss account**

	2012 £000's	2011 £000's
Current service cost	188	128
Interest on liabilities	1,703	1,778
Expected return on Scheme assets	(1,509)	(1,905)
Past service cost	-	-
Adjustment in respect of paragraph 67 of FRS17	-	-
Total	382	1

18.4 Reconciliation of defined benefit obligation

	2012 £000's	2011 £000's
Opening value of Scheme liabilities	36,393	33,498
Service cost	188	128
Contributions by Scheme members	220	216
Interest cost	1,703	1,778
Actuarial (gains) and losses	443	1,362
Benefits paid	(1,138)	(589)
Closing value of Scheme liabilities	37,809	36,393

18.5 Reconciliation of fair value of Scheme assets

	2012 £000's	2011 £000's
Opening fair value of Scheme assets	30,117	29,959
Expected return	1,509	1,905
Actuarial gains and (losses)	549	(2,706)
Contributions by employer	1,392	1,332
Contributions by Scheme members	220	216
Benefits paid	(1,138)	(589)
Closing fair value of Scheme assets	32,649	30,117
 Actual return on Scheme assets	 2,058	 (801)

18.6 Analysis of amount charged to operating profit

	2012 £000's	2011 £000's
Current service cost	188	128
Past service cost	-	-
Defined benefit pension cost	188	128

WABTEC RAIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)****18. Pension commitments (continued)****18.7 Analysis of amount charged/(credited) to other financial income**

	2012 £000's	2011 £000's
Expected return	(1,509)	(1,905)
Interest cost	1,703	1,778
	<u>194</u>	<u>(127)</u>

18.8 Analysis of amount recognised in statement of total recognised gains and losses

	Year ended 31 December 2012	Year ended 30 December 2011
Actual return less expected return on Scheme assets	549	(2,706)
Experience loss arising on the Scheme liabilities	(66)	(8)
(Loss)/Gain arising from changes in assumptions underlying the present value of the Scheme liabilities	<u>(377)</u>	<u>(1,354)</u>
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	<u>106</u>	<u>(4,088)</u>
Cumulative loss recognised in the statement of total recognised gains and losses	(7,934)	(6,051)

18.9 5 year history

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Scheme assets	32,649	30,117	29,959	26,332	20,742
Value of Scheme liabilities	(37,809)	(36,393)	(33,498)	(31,208)	(26,631)
Surplus/(deficit)	(5,160)	(6,276)	(3,539)	(4,876)	(5,889)
Experience gains/(losses) on Scheme liabilities	(66)	(8)	996	(77)	(93)
Gains/(losses) from changes in the assumptions for valuing Scheme liabilities	(377)	(1,354)	(1,804)	(3,044)	4,684
Gains/(losses) on Scheme assets	549	(2,706)	1,189	3,347	(6,505)

WABTEC RAIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)****18. Pension commitments (continued)****18.10 History of experience gains and losses**

	31 Dec 2012	30 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008
Difference between the expected and actual return on Scheme assets -					
Amount (£'000)	549	(2,706)	1,189	3,347	(6,505)
% of Scheme assets	2%	(9%)	4%	13%	(31%)
Experience (loss) / gain on Scheme liabilities:					
Amount (£'000)	(66)	(8)	996	(77)	(93)
% of the present value of the Scheme liabilities	0%	0%	3%	0%	0%
Total amount of (loss) / gain recognised in statement of total recognised gains and losses.					
Amount (£'000)	106	(4,068)	381	226	(1,914)
% of the present value of the Scheme liabilities	0%	(11%)	1%	1%	(7%)

19. Contingent Liabilities

The company gives certain guarantees and indemnities in respect of its trade, in the normal course of its business. At 31 December 2012, there were £Nil of outstanding indemnities to surety providers in respect of bonded guarantees (2011 £Nil)

20. Ultimate Parent Company

The company considers Wabtec Holdings Corporation, incorporated in the USA, to be its intermediate parent company, and the Westinghouse Air Brake Technologies Corporation, incorporated in the USA, to be its ultimate parent company.

The largest and smallest group in which the company is consolidated is Westinghouse Air Brake Technologies Corporation. A copy of the accounts of Westinghouse Air Brake Technologies Corporation can be obtained from 1001 Air Brake Avenue, Wilmerding, PA 15148, USA (www.wabtec.com)

21. Related Parties

The company has taken advantage of the exemptions allowed under FRS 8 from disclosing transactions with related parties that are wholly owned subsidiaries of the Westinghouse Air Brake Technologies Corporation group

WABTEC RAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

22. Share-based payment

The ultimate parent company Westinghouse Air Brake Technologies Corporation Inc (Wabtec) maintains employee stock-based compensation plans for stock options, non-vested restricted stock, and incentive stock awards as governed by the 2000 Stock Incentive Plan, as amended (the 2000 Plan). Wabtec also maintains an Employee Stock Purchase Plan and a Non-Employee Directors' Fee and Stock Option Plan (Directors Plan)

The expense recognised for share based payments under FRS 20 during the year to 31 December 2012 is £120,000 (2011, £119,000), which arise entirely from equity settled share based payment transactions.

22.1 Stock Options

Under the 2000 Stock Incentive Plan (the 2000 Plan), stock options are granted to eligible employees at a price not less than market prices on the dates of grant. Generally, the options become exercisable over a four-year vesting period and expire ten years from the date of grant.

The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the years ended 31 December 2012 and 30 December 2011.

	2012	2012 Weighted average exercise price \$	2011	2011 Weighted average exercise price \$
	Number		Number	
Outstanding at beginning of the period	19,225	26.34	18,625	24.46
Granted during the period	-	-	1,275	57.39
Exercised during the period	(4,957)	19.83	(675)	33.09
Lapsed during the period	-	-	-	-
Outstanding at the end of the period	<u>14,268</u>	27.35	<u>19,225</u>	26.34
Exercisable at the end of the period	<u>11,700</u>		<u>12,188</u>	

The average exchange rate during the period was \$1.58 (2011 \$1.60).

The weighted average fair value of options granted during the year was \$nil (2011 \$23.20).

The weighted average remaining contractual life was 6.3 years (2011 6.5 years).

The range of exercise prices for options outstanding at the end of the year was \$10.70 - \$57.39 (2011 \$10.70 - \$57.39).

WABTEC RAIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012** (continued)**22.1 Stock Options (continued)**

The fair value of the share options granted is estimated as at the date of grant using the Black-Scholes option pricing model, taking in to account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 31 December 2012 and 30 December 2011:

	2012	2011
Risk free interest rate (%)	1.40	3.00
Expected volatility (%)	45.00	45.60
Expected term (years)	5.00	5.00
Dividend yield (%)	0.23	0.08

The dividend yield is based on Wabtec's dividend rate and the current market price of the underlying common stock at the date of grant. Expected volatility is based upon historical volatility of the Wabtec's stock. The risk free interest rate is based on the US Treasury bond rates for the expected life of the option.

22.2 Non-Vested Restricted Stock Awards

Under the 2000 Plan, eligible employees are granted non-vested restricted stock that generally vest over three or four years from the date of grant.

The stock awards included in the table below represent the maximum number of shares that may ultimately vest. As of 31 December 2012 and 30 December 2011 it is estimated that the majority of these stock awards will vest and the company has recorded compensation expense accordingly. If the estimate of the number of these stock awards expected to vest changes in a future accounting period, compensation expense could be reduced and will be recognized over the remaining vesting period.

WABTEC RAIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)****22.2 Non-Vested Restricted Stock Awards (continued)**

The following table summarises the non-vested restricted stock awards activity and related information for the years ended 31 December 2012 and 30 December 2011:

Restricted Stock	2012	2012 Weighted average exercise price	2011	2011 Weighted average exercise price
	Number	\$	Number	\$
Outstanding at beginning of the period	4,325	39.36	4,050	33.73
Granted during the period	2,300	70.59	1,275	57.39
Vested during the period	(1,670)	-	-	-
Lapsed during the period	(500)	31.93	(1,000)	30.95
Outstanding at the end of the period	<u>4,455</u>	53.10	<u>4,325</u>	39.36
Exercisable at the end of the period	<u>-</u>		<u>200</u>	

Compensation expense for the non-vested restricted stock award is based on the closing price of Wabtec's common stock on the date of grant and recognized over the applicable vesting period