Bombardier Transportation (Rolling Stock) UK Limited

Directors' report and financial statements

Registered number 02988520

For the year ended 31 December 2011

Contents

Company information

Directors	C S Walton	(Chairman) (resigned 20 February 2012)
	P G Roberts	(Chairman) (appointed 20 December 2011)
	S L Bacon	(resigned 1 February 2011)
	S F Gackowski	(resigned 8 August 2011)
	J D Stoney	(appointed 1 February 2011)
	L S West	(appointed 8 August 2011)
Secretary	L S West	
Registered office	Litchurch Lane Derby DE24 8AD	
Registered number	02988520	
Auditors	Ernst & Young LLP City Gate West Toll House Hill Nottingham NG1 5FY	
Principal bankers	Deutsche Bank AG London 6 Bishopsgate London EC2P 2AT	
Solicitors	Pinsent Masons LLP 30 Crowne Place Earl Street London EC2A 4ES	Nelson's Solicitors Pennine House 8 Stanford Street Nottingham NG1 7BQ

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2011

Results and dividends

The loss for the year, after taxation, was £191,000 (2010 £4,431,000) The directors do not recommend the payment of a dividend (2010 £nil)

Principal business activity and business review

The principal activity of the business is the design and manufacture of electrical systems, looms, harnesses and cubicles for use in the construction of railway carriages, and the manufacture of interior systems and drivers' desks for railway equipment

No changes to the nature of the business's activities are anticipated in the foreseeable future In view of the climate prevailing in the railway industry, the directors believe that the results for the year were satisfactory

Future developments

The directors consider that the business will continue to operate as it has in the current year, until the relevant contracts are completed There are no events, of which the directors are currently aware, that will affect the manner in which the company operates

Directors

The directors who served during the year, and subsequent changes, are noted on the company information page

The company has granted an indemnity to one or more of its directors against any liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006 Such qualifying third party indemnity provisions remains in force as at the date of approving the Directors' report

Political and charitable donations

No political contributions or charitable donations were made during the current or preceding year

Employee involvement

In common with other members of the Bombardier Transportation (Holdings) UK Limited group (the 'Group'), company policy is to use the consultative procedures agreed with its staff and elected representatives to ensure information and views are exchanged and to improve the awareness of the financial and economic factors which affect it Communication with employees is through an internal group newspaper and a formal structure of regular briefing sessions

Disabled persons

The company is committed to the employment of disabled persons In common with other members of the group, where existing employees become disabled, it is the company's policy wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate The company does not discriminate on the grounds of disability in recruitment

Events since the balance sheet date

There have been no material events since the balance sheet date

Directors' report (continued)

Principal risks and uncertainties

The main risks arising from the company's financial instruments are liquidity risk and credit risk

Liquidity risk

The company aims to maintain a balance between continuity of funding and flexibility by ensuring that sufficient borrowing facilities are in place by reference to forecast debt levels

Credit risk

The company extends credit only to recognised, creditworthy third parties It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures In addition, trade debtor balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant

Business risk

The company has processes and procedures in place to identify and manage business risks Key business risks include

- the ability to source new contracts, which is in part dependent on future government spending and environmental policies,
- product performance,
- supply chain performance and sourcing risks, and
- legislative and regulatory pressures

The company believes that the risks are adequately mitigated through a commitment to quality and continuous improvement, establishment of a business-wide compliance structure, through open dialogue with key stakeholders including customers, suppliers and through proactive lobbying to inform and influence the content and implementation of new legislation and regulations

Going concern

The financial statements of Bombardier Transportation (Rolling Stock) UK Limited have been prepared on a going concern basis, which assumes the company will continue in operational existence for the foreseeable future based on the continued support of the parent company The balance sheet at 31 December 2011 shows net assets of £5,324,000, down from £5,515,000 in 2010 The directors have prepared cash flow projections and strategic plans based on appropriate assumptions in line with the assumptions of its major customer, Bombardier Transportation UK Ltd The projections take into account the current expected revenues and its cost base, which the company and its parent are fully committed to supporting

Bombardier Transportation UK Ltd has provided loans to Bombardier Transportation (Rolling Stock) UK Limited of £11,246,000 (2010 £11,246,000), to finance the business As well as being a subsidiary of Bombardier Transportation UK Ltd, Bombardier Transportation (Rolling Stock) UK Limited is also a key supplier to its parent The company is considered fundamental to the success of Bombardier Transportation UK Ltd in a number of long-term contracts that it has with a variety of customers The parent company is fully committed to supporting Bombardier Transportation (Rolling Stock) UK Limited for the foreseeable future

Directors' report (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 of 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 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 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

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information

Re-appointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company

By order of the Board

L S West
Director and Company Secretary
21st May 2012

Litchurch Lane
Derby
DE24 8AD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOMBARDIER TRANSPORTATION (ROLLING STOCK) UK LIMITED

We have audıted the financıal statements of Bombardıer Transportatıon (Rollıng Stock) UK Lımıted for the year ended 31 December 2011 whıch comprıse the Profit and Loss Account, the Balance Sheet and the related notes 1 to 19 The financıal reportıng framework that has been applıed ın theır preparatıon ıs applıcable law and Unıted Kıngdom Accountıng Standards (Unıted Kıngdom Generally Accepted Accountıng Practıce)

Thıs report ıs made solely to the company's members, as a body, ın accordance wıth Chapter 3 of Part 16 of the Companıes Act 2006 Our audıt work has been undertaken so that we mıght state to the company's members those matters we are requıred to state to them ın an audıtors' report and for no other purpose To the fullest extent permıtted by law, we do not accept or assume responsıbılıty to anyone other than the company and the company's members as a body, for our audıt work, for thıs report, or for the opınıons we have formed

Respective responsibilitıes of directors and auditor

As explaıned more fully ın the Statement of Dırectors' Responsıbılıtıes set out on page 4, the dırectors are responsıble for the preparatıon of the financıal statements and for beıng satısfied that they gıve a true and faır vıew Our responsıbılıty ıs to audıt and express an opınıon on the financıal statements ın accordance wıth applıcable law and Internatıonal Standards on Audıtıng (UK and Ireland) Those standards requıre us to comply wıth the Audıtıng Practıces Board's Ethıcal Standards for Audıtors

Scope of the audıt of the financial statements

An audıt ınvolves obtaınıng evıdence about the amounts and dısclosures ın the financıal statements suffıcıent to gıve reasonable assurance that the financıal statements are free from materıal mısstatement, whether caused by fraud or error Thıs ıncludes an assessment of whether the accountıng polıcıes are appropriate to the company's cırcumstances and have been consıstently applıed and adequately dısclosed, the reasonableness of sıgnıficant accountıng estımates made by the dırectors, and the overall presentatıon of the financıal statements In addıtıon, we read all the financıal and non-financıal ınformatıon ın the Dırectors' report to ıdentıfy materıal ınconsıstencıes wıth the audıted financıal statements If we become aware of any apparent materıal mısstatements or ınconsıstencıes we consıder the ımplıcatıons for our report

Opinıon on financıal statements

In our opınıon the financıal statements

- Gıve a true and faır vıew of the state of the company's affaırs as at 31 December 2011 and of ıts loss for the year then ended,
- Have been properly prepared ın accordance wıth Unıted Kıngdom Generally Accepted Accountıng Practıce, and
- Have been prepared ın accordance wıth the requırements of the Companıes Act 2006

Opınıon on other matter prescribed by the Companıes Act 2006

In our opınıon the ınformatıon gıven ın the Dırectors' report for the financıal year for whıch the financıal statements are prepared ıs consıstent wıth the financıal statements

Matters on which we are requıred to report by exception

We have nothıng to report ın respect of the followıng matters where the Companıes Act 2006 requıres us to report to you ıf, ın our opınıon

- Adequate accountıng records have not been kept, or returns adequate for our audıt have not been receıved from branches not vısıted by us, or
- The financıal statements are not ın agreement wıth the accountıng records and returns, or
- Certaın dısclosures of dırectors' remuneratıon specıfied by law are not made, or
- We have not receıved all the ınformatıon and explanatıons we requıre for our audıt

Ernst & Young LLP

Adrıan Roberts (Senıor Statutory Audıtor)
for and on behalf of Ernst & Young LLP, Statutory Audıtor
Nottıngham

23 May 2012

Profit and loss account

For the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Turnover	2	**33,655**	17,757
Cost of sales		**(28,218)**	(19,107)
Gross profit/(loss)		**5,437**	(1,350)
Administrative expenses		**(5,912)**	(4,374)
Loss on ordinary activities before taxation	3	**(475)**	(5,724)
Taxation on loss on ordinary activities	5	**284**	1,293
Loss for the financial year	14,15	**(191)**	(4,431)

There were no recognised gains or losses in either the current or the preceding year other than those disclosed in the profit and loss account

In both the current and preceding year the company made no material acquisitions and had no discontinued operations

The notes on pages 8 to 15 form part of these financial statements

Balance sheet

At 31 December 2011

Registered number 02988520

	Note		**2011** **£'000**		2010 £'000
Fixed assets					
Intangible assets	*6*		-		650
Tangible assets	*7*		**532**		403
			532		1,053
Current assets					
Stocks	*8*	**4,222**		6,104	
Debtors due after one year	*9a*	**12,000**		12,000	
Debtors due within one year	*9b*	**4,876**		6,485	
Debtors		**16,876**		18,485	
		21,098		24,589	
Creditors: amounts falling due within one year	*10*	**(4,602)**		(8,384)	
Net current assets			**16,496**		16,205
Total assets less current liabilities			**17,028**		17,258
Creditors: amounts falling due after more than one year	*11*		**(11,246)**		(11,246)
Provisions for liabilities	*12*		**(458)**		(497)
Net assets			**5,324**		5,515
Capital and reserves					
Called up share capital	*13*		**12,000**		12,000
Profit and loss account	*14*		**(6,676)**		(6,485)
Shareholders' funds	*15*		**5,324**		5,515

These financial statements were approved and authorised for issue by the board of directors on 21st May 2012 and were signed on its behalf by

J D Stoney
Director

The notes on pages 8 to 15 form part of these financial statements

Notes to the financial statements

At 31 December 2011

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Accounting convention

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting Standards

Cash flow statement

The company has taken advantage of the exemption provided by Financial Reporting Standard No 1, from the requirement to provide a cash flow statement on the basis that it is a 90% or more subsidiary undertaking

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but have not been 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 receive more tax

The exception to this is that 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 generated by the company from which 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

Revenue recognition

Revenue, which is stated net of value added tax, represents amounts invoiced to third parties

Revenue is attributable to the design and manufacture of electrical systems, looms, harnesses and cubicles for use in the construction of railway carriages, and the manufacture of interior systems and drivers' desks for railway equipment

Revenue is recognised when the significant risks and rewards of ownership of goods is passed to the buyer, usually on dispatch of the goods

Leasing and hire purchase commitments

Rentals paid under operating leases are charged to income on a straight line basis over the terms of the lease

Goodwill

Purchased goodwill is capitalised and amortised through the profit and loss account over 20 years, being the directors' estimate of its useful life It is reviewed for impairment at the end of the first full financial year following the acquisition and in subsequent periods if events or changes in circumstances indicate that the value may not be recoverable

Notes (continued)
At 31 December 2011

1 Accounting policies (continued)

Fixed assets and depreciation

All fixed assets are initially recorded at cost or valuation

Depreciation is charged to the profit and loss account on a straight line basis and is provided on all tangible fixed assets, except for freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life as follows

Motor vehicles	- over 3 years
Plant and machinery	- over 3 years

Repairs of assets are charged to the profit and loss account as incurred The carrying values of tangible fixed assets are reviewed if events or changes in circumstances indicate the carrying values may be impaired

Stocks

Inventories comprise raw materials, work in progress and finished goods and are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving inventory Cost is calculated including materials, labour and the attributable overheads according to the stage of production

Provisions

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation

A provision for warranty cost is recorded when revenue for the underlying product is recognised The cost is estimated based on a number of factors, including the historical warranty claims and cost experience, the type and duration of the warranty coverage, the nature of products sold and counter-warranty coverage available from the company's suppliers

A provision for work due arises when a contract, or part of a contract, is fully completed and delivered, however, there are still costs relating to that contract or part of the contract that are not yet recognised, because the supplier invoices have not yet been received

The company reviews its recorded provisions on a quarterly basis and any adjustment is recognised in income Warranty expense is recorded as a component of cost of sales, as is work due provision The effect of the time value of money is not material and therefore the provisions are not discounted

Cash pooling

Cash is held within a Group cash pool and is disclosed as amounts owed to/by Group undertakings

Pension

The company operates a defined contribution pension scheme The scheme and its assets are held by independent managers The pension charge represents contributions due from the company to the fund in respect of the year

2 Turnover

The whole of the turnover is attributable to the company's principal activity and is all attributable to the UK No segmental analysis is presented, as the company's operations consist of a single activity and are entirely within the UK

Notes (continued)
At 31 December 2011

3 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is stated after charging

	2011 £'000	2010 £'000
Auditors' remuneration		
Fees payable to the company's auditors for the audit of the company's annual financial statements	**34**	39
Fees payable to the company's auditors and their associates in respect of		
- Other services relating to taxation	**2**	2
Total auditors' remuneration	**36**	41
Depreciation of owned fixed assets	**186**	111
Amortisation of goodwill	**33**	17
Impairment of goodwill	**617**	415
Operating lease rentals – land and buildings	**397**	237
	1,269	821

4 Staff costs and directors' emoluments

a) Staff costs

	2011 £'000	2010 £'000
Wages and salaries	**9,230**	4,339
Social security costs	**529**	404
Other pension costs	**39**	37
	9,798	4,780

b) Average monthly number of employees during the year

	No.	No
Production	**199**	108
Engineering	**18**	23
Project management	**7**	3
Administration	**39**	55
	263	189

c) Directors' emoluments

Directors' emoluments have been borne by a group company, Bombardier Transportation UK Ltd The directors of the company are also directors or officers of a number of the companies within the Bombardier Group The directors' services to the company do not occupy a significant amount of their time As such the directors do not consider that they have received any remuneration for their incidental services to the company for the years ended 31 December 2011 and 31 December 2010

Notes (contınued)
At 31 December 2011

5 Taxation on loss on ordinary activities

a) Analysis of taxation credıt

	2011 £'000	2010 £'000
Current year Group relıef receıvable	**(166)**	(1,461)
Adjustments ın respect of prevıous years	**(118)**	168
Taxatıon on loss on ordınary actıvıtıes (Note 5(b))	**(284)**	(1,293)

b) Factors affectıng taxation credıt for the year

The taxatıon credıt ıs made up as follows

	2011 £'000	2010 £'000
Loss on ordınary actıvıtıes before tax	**(475)**	(5,724)
Loss on ordınary actıvıtıes multıplıed by standard rate of corporatıon taxatıon ın the UK of 26 5% (2010 28%)	**(126)**	(1,602)
Effects of		
Expenses not deductıble for taxatıon purposes	**13**	14
(Depreciatıon ın excess of capıtal allowances)/capıtal allowances ın excess of depreciatıon	**(47)**	17
Other tımıng dıfferences	**(6)**	110
Adjustments ın respect of prevıous years	**(118)**	168
Current taxatıon credıt for the year (Note 5(a))	**(284)**	(1,293)

c) Factors that may affect future taxation charges

In hıs budgets of 23 March 2011 and 21 March 2012, the Chancellor of the Exchequer proposed a decrease ın the rate of the UK corporatıon taxatıon from 28% to 22%, fallıng by 2% ın 2011 and 2012 and a further 1% a year over the perıod 2013 to 2014 In accordance wıth accountıng standards, thıs has been reflected ın the unrecognısed deferred taxatıon asset dısclosure

Notes (continued)
At 31 December 2011

6 Intangible fixed assets

	Goodwill £'000
Cost	
At 1 January 2011 and 31 December 2011	**1,104**
Amortisation	
At 1 January 2011	454
Amortisation	33
Impairment charge	617
At 31 December 2011	**1,104**
Net book value	
At 31 December 2011	-
At 31 December 2010	650

The carrying amount for Compin UK Limited has been reduced to its recoverable amount through the recognition of an impairment loss of £617,000 against goodwill, included in administrative expenses

7 Tangible fixed assets

	Plant and machinery £'000	Assets in the course of construction £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2011	541	-	6	547
Additions	238	125	-	363
Disposals	(129)	-	(3)	(132)
At 31 December 2011	**650**	**125**	**3**	**778**
Depreciation				
At 1 January 2011	143	-	1	144
Charge for the year	184	-	2	186
On disposals	(82)	-	(2)	(84)
At 31 December 2011	**245**	**-**	**1**	**246**
Net book value				
At 31 December 2011	**405**	**125**	**2**	**532**
At 31 December 2010	398	-	5	403

Notes (contınued)
At 31 December 2011

8 Stocks

	2011 £'000	2010 £'000
Raw materıals and consumables	**3,131**	4,132
Work ın progress	**721**	933
Fınıshed goods	**370**	1,039
	4,222	6,104

The dıfference between purchase prıce or productıon cost of stocks and theır replacement cost ıs not materıal

9 Debtors

	2011 £'000	2010 £'000
a) Debtors due after one year		
Amounts owed by group undertakıngs	**12,000**	12,000
b) Debtors due within one year		
Trade debtors	**243**	304
Amounts owed by group undertakıngs	**1,101**	3,058
Prepayments and accrued ıncome	**211**	88
Group relıef receıvable	**2,376**	2,092
Other taxes receıvable	**945**	943
	4,876	6,485

10 Creditors: amounts falling due within one year

	2011 £'000	2010 £'000
Trade credıtors	**254**	2,669
Amounts owed to group undertakıngs	**1,634**	3,560
Other taxes and socıal securıty	**115**	944
Accruals and other credıtors	**2,599**	1,211
	4,602	8,384

11 Credıtors: amounts fallıng due after more than one year

	2011 £'000	2010 £'000
Amounts owed to group undertakıngs	**11,246**	11,246

The ıntercompany loan of £11,246,000 bears no ınterest, and ıs repayable after more than one year, as funds become avaılable

Notes (continued)
At 31 December 2011

12 Provisions

a) Provisions for liabilities

	Warranty (i) £'000	Other (ii) £'000	Total £'000
At 1 January 2011	57	440	497
Arising during the year	134	290	424
Unused amounts released during the year	(23)	-	(23)
Utilised during the year	-	(440)	(440)
At 31 December 2011	**168**	**290**	**458**

(i) Provisions for warranty costs represent the best estimate of future liabilities to replace defective parts in respect of rolling stock delivered before the year end

(ii) Other provisions comprise onerous contract liabilities resulting from supply contracts with customers

b) Deferred taxation

A deferred taxation asset has not been recognised in the current year (2010 not recognised) in the financial statements as follows

	2011 Not Recognised £'000	2010 Not Recognised £'000
Decelerated capital allowances	**(13)**	59
Other timing differences	**130**	142
Deferred taxation asset	**117**	201

The deferred taxation asset of £117,000 (2010 £201,000) has not been recognised because there are insufficient profits to fully offset these losses in the foreseeable future Movements in the above deferred taxation balances do not directly compare with the current year temporary differences shown in note 5(b) because of the effect of changes in taxation rates and prior year adjustments to deferred taxation

13 Share capital

	2011 No.	2010 No	**2011 £'000**	2010 £'000
Allotted, called up and not paid				
Ordinary shares of £1 each	**12,000,000**	12,000,000	**12,000**	12,000

14 Reserves

	Profit and loss account £'000
As at 1 January 2011	**(6,485)**
Loss for the year	**(191)**
As at 31 December 2011	**(6,676)**

Notes (continued)
At 31 December 2011

15 Reconciliation of movement in shareholders' funds

	2011 **£'000**	2010 £'000
Loss for the financial year	**(191)**	(4,431)
Net reduction in shareholders' funds	**(191)**	(4,431)
Opening shareholders' funds	**5,515**	9,946
Closing shareholders' funds	**5,324**	5,515

16 Pension

The company operates a defined contribution pension scheme The scheme and its assets are held by independent managers The pension charge represents contributions due from the company and amounted to £39,000 (2010 £37,000)

The amount of outstanding pension contributions payable included in accruals and other creditors at 31 December 2011 amounted to £5,000 (2010 £4,000)

17 Operating lease commitments

At 31 December 2011, the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2011 £'000	Land and buildings 2010 £'000	**Plant and machinery 2011 £'000**	Plant and machinery 2010 £'000
Expiry date:				
Within 1 year	**56**	-	-	21
Between 2 and 5 years	**36**	337	-	-
	92	337	-	21

18 Related parties

The company has not disclosed transactions with other group companies as it has taken advantage of the exemption conferred by paragraph 3 of Financial Reporting Standard No 8 on the grounds that it is a wholly owned subsidiary undertaking

19 Parent company

The company's immediate parent undertaking is Bombardier Transportation UK Ltd Bombardier Transportation UK Ltd is itself part of the Group headed by Bombardier Transportation (Holdings) UK Ltd, a company registered in England and Wales, which is the smallest group of undertakings for which Group accounts are drawn up and of which the company is a member It has included the company results in its group accounts, copies of which may be obtained from the registered office Litchurch Lane, Derby, DE24 8AD

In the directors' opinion the company's ultimate parent company and controlling party is Bombardier Inc, which is incorporated in Canada and which is the largest group of undertakings for which group accounts are drawn up and of which the company is a member Group accounts for Bombardier Inc are available from Corporate Office, 800 Rene-Levesque Boulevard, West Montreal, Quebec, Canada, H2B1YB