BOMBARDIER
the evolution of mobility

Bombardier Transportation (Rolling Stock) UK Limited

Directors' Reports and Financial Statements
For the year ended 31 December 2018

Registered number 02988520

Table of Contents

Table of Contents

Company Information

Directors	R Hunter	Resigned 01 February 2019
	P Hufton (Chairman)	Appointed 05 March 2019
	G J Mowbray	Resigned 31 July 2019
	K M Parkes	
	J J Rawding	Appointed 04 September 2019
Secretary	L S West	
Registered office	Litchurch Lane Derby Derbyshire DE24 8AD United Kingdom	
Registered number	02988520	
Auditors	Ernst & Young LLP 1 Colmore Square Birmingham B4 6HQ United Kingdom	
Principal bankers	Deutsche Bank AG London 6 Bishopsgate London EC2P 2AT United Kingdom	
Solicitors	Norton Rose LLP 3 More London Riverside London SE1 2AQ United Kingdom	

Directors Report

The Directors present their Report and the Financial Statements for the year ended 31 December 2018.

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'), 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 communication network 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.

Future developments

The Directors consider that the business will continue to operate as it has in the current year, following the completion of relevant contracts. There are no events, of which the Directors are currently aware, that will affect the manner in which the Company operates.

Events since the balance sheet date

On 28 February 2019, a structural transformation of Bombardier Transportation (Rolling Stock) Ltd was announced whereby an operating division (Cabling) would be sold to a third party. Motherson Rolling Stock Systems GB Limited, a subsidiary of PKC Group purchased the assets of this operation on 29 March 2019. The remaining operations were not impacted.

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 2018 shows net assets of £19,855,000, up from £16,022,000 in 2017. The Directors have prepared cash flow forecasts and strategic plans based on appropriate assumptions in line with the projections 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. 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

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 auditors, 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,

J J Rawding
Litchurch Lane
Derby
DE24 8AD
5 November 2019

Strategic Report

The Directors have pleasure in presenting their Strategic Report for the year ended 31 December 2018.

Principal business activity and business review

The principal activities of the business is composed of two operating divisions namely the Electronics division and the Cabling division.

The Cabling division's principal activities are the design and manufacture of looms, harnesses, cubicles for use in the construction of railway carriages. The Electronics division's principal activities are the design, manufacture and refurbishment of Passenger Information Systems (PIS) used in the Rail Industry. Provision of digital solutions including fully integrated media screens, train destination displays, drivers control panels, saloon loudspeakers, drivers & guards handsets, coach controllers and call for aid units.

On 28 February 2019, a structural transformation of the Company was announced whereby the Cabling division would be sold to a third party. Motherson Rolling Stock Systems GB Limited, a subsidiary of PKC Group purchased the assets of this operation on 31 March 2019. The remaining operations of the Electronics division were not impacted and no changes to the nature of the business' continuing operations 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.

Results and dividends

The profit for the year from continuing operations after taxation was £5,371,000. (2017: Profit from continuing operations of £5,369,000). The Directors do not recommend the payment of a dividend (2017: £nil). The Company's key financial and other performance indicators during the year for continuing operations were as follows:

	2018	**2017 Restated**	**Year on year variance**
	£'000	**£'000**	**£'000**
Company turnover	**5,371**	5,369	2
Gross profit	**1,782**	3,623	(1,841)
Total operating profit	**810**	701	109
Profit after taxation	**682**	552	129
Profit for the year (including discontinued operations)	**3,833**	4,259	(426)
Average number of employees	**52**	57	(5)

Principal risks and uncertainties

The main risks arising from the Company's *financial* instruments are liquidity risk, credit risk and business 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.

Strategic Report

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.

By order of the Board,

J J Rawding
Litchurch Lane
Derby
DE24 8AD
5 November 2019

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report, Strategic Report and the Financial Statements in accordance with applicable UK 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), including FRS 101 'Reduced Disclosure Framework'.

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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and

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.

Opinion

We have audited the financial statements of Bombardier Transportation (Rolling Stock) UK Limited for the year ended 31 December 2018 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP

Steven Bagworth (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

7 November 2019

Statement of Profit or Loss and Other Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Note	**2018**	2017 Restated
		£'000	£'000
Turnover	*4*	**5,371**	5,369
Cost of sales		**(3,589)**	(1,746)
Gross profit		**1,782**	3,623
Administrative expenses		**(972)**	(2,922)
Operating profit	*5*	**810**	701
Interest payable	*7*	**7**	-
Interest receivable	*6*	**(3)**	(3)
Profit before taxation		**814**	698
Taxation on profit on ordinary activities	*10*	**(132)**	(146)
Profit after taxation		**682**	552
Discontinued operations			
Profit after tax for the year from discontinued operations	*9*	3,151	3,707
Profit for the year		**3,833**	4,259

There were no gains or losses recognised in either the current or the preceding year other than those disclosed in the statement of profit or loss and other comprehensive income, therefore the profit after tax is the total comprehensive income.

In both the current and preceding year, the Company made no material acquisitions and had no discontinued operations.

The notes on pages 13 to 24 form part of these Financial Statements.

Statement of Changes in Equity

Statement of Changes in Equity
For the year ended 31 December 2018

	Equity Share Capital	Retained Earnings	Total Equity
	£'000	£'000	£'000
At 01 January 2017	**12,000**	**(237)**	**11,763**
Total comprehensive income for the year	-	4,259	4,259
At 31 December 2017	**12,000**	**4,022**	**16,022**
Total comprehensive income for the year	-	3,833	3,833
At 31 December 2018	**12,000**	**7,855**	**19,885**

The notes on pages 13 to 24 form part of these Financial Statements.

Balance Sheet

Balance Sheet
As at 31 December 2018

	Note	2018	2017
		£'000	£'000
Non current assets			
Tangible fixed assets	11	**362**	1,284
		362	1,284
Current assets			
Stocks	12	**9,638**	5,231
Debtors	13	**17,648**	18,766
Current assets held for sale	9	**1,036**	-
Total current assets		**28,322**	23,997
Current liabilities			
Creditors amounts falling due within one year	14	**(8,532)**	(8,953)
Current liabilities held for sale	9	**(119)**	
		(8,651)	(8,953)
Net current assets		**19,671**	15,044
Total assets less current liabilities		**20,033**	16,328
Non-current liabilities			
Provisions for liabilities	15	**(178)**	(306)
		(178)	(306)
Net assets		**19,855**	16,022
Capital and reserves			
Called up share capital	16	**12,000**	12,000
Profit and loss account	17	**7,855**	4,022
Shareholders' funds		**19,855**	16,022

The notes on pages 13 to 24 form part of these Financial Statements. These Financial Statements were approved and authorised for issue by the Board of Directors on 26 September 2019 and were signed on its behalf by:

J J Rawding
Director
Derby, UK
5 November 2019

Notes to the Financial Statements

Contents

Notes to the Financial Statements (continued)

1. Authorisation of Financial Statements and compliance with FRS 101

The Financial Statements of Bombardier Transportation (Rolling Stock) UK Limited (the "Company") for the year ended 31 December 2018 were authorised and issued by the Board of Directors on 5 November 2019 and the balance sheet was signed on the Board's behalf by J J Rawding.

Bombardier Transportation (Rolling Stock) UK Limited is incorporated and domiciled in England and Wales. The company is privately held, limited by shares. These Financial Statements are presented in Sterling and all values are rounded to the nearest thousand pounds, except where otherwise stated.

The Financial Statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

2. Accounting policies

2. 1 Basis of preparation

The Financial Statements have been prepared in accordance with the Financial Reporting Standards 101 Reduced disclosure Framework (FRS 101) and in accordance with applicable accounting Standards.

FRS 101 requires that the Statement of Profit or Loss and Other Comprehensive Income, and Balance Sheet are presented in the format requirements of the Companies Act 2006, rather than the requirements of International Accounting Standard (IAS) 1 - Presentation of Financial Statements.

A summary of the disclosure exemptions under FRS 101 are presented below. Equivalent disclosures for share based payments and financial instruments are included in the group consolidated Financial Statements allowing the exemptions to be applied.

Area	**Disclosure exemption**
Cash flow statements	Complete exemption from preparing a cash flow statement
Share-based payments	Exemption from disclosure of financial information as required by paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment, as the share-based payments concern the instruments of another group entity.
Financial instrument disclosures	Exemption from the disclosure requirements of IFRS 7 (Financial Instruments) and related IFRS 13 disclosures
	Disclosures in respect of management's objectives, policies and processes for managing capital (IAS1.134 to 136)
Related party disclosures	Exemption for related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to a transaction is wholly owned by such a member.
	Exemption from disclosure of key management personnel compensation
Comparative information	Exemption from comparative for movements on share capital, tangibles, intangibles and investment property.
Presentation of Financial Statements	Exemption from statement of compliance with IFRS, cashflow information and capital management policy.

International Reporting Standards Issued prior to their mandatory effective date.

Disclosure regarding the impact of other standards issued but not effective is exempt

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2. 2 Judgements and key sources of estimating uncertainty

The preparation of Financial Statements requires management to make judgement estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the Financial Statements.

Operating leases

The Company has entered into commercial property leases as lessee to obtain the use of property plant and equipment. The classification of such leases as operating, or finance leases requires the Company to determine, based upon an evaluation of the terms and conditions of the arrangements, whether it acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carry amounts of assets and liabilities recognised at the balance sheet date.

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

2. 3 Significant accounting policies

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. There has been a change in accounting policy for revenue recognition during the year, see Note 3.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the statement of profit or loss and other comprehensive income over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

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

Deferred taxation

Deferred taxation is recognised in respect of all temporary 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 taxation 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 temporary differences can be deducted.

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

Notes to the Financial Statements (continued)

2.3 Significant 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 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	- 3 to 20 years

Repairs of assets are charged to the statement of profit or loss and other comprehensive income as incurred. The carrying values of fixed assets are reviewed if events or changes in circumstances indicate the carrying values may be impaired

Impairment of non-financial assets
The Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss.

Non-current assets held for sale and discontinued operations
In accordance with IFRS 5, the Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and represents a separate major division of the business.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in Note 9. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

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. Stock Provisions are calculated upon comparison of current stock holding with all future planned demand on a part by part basis. Such provisions are reviewed by the management on a regular basis to decide if any parts are surplus to requirements.

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. If the amount is material and is expected that the settlement of the obligation is more than one year or after the normal operating cycle of the business, the expected future cash flows are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Warranty costs
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. Warranty expense is recorded as a component of cost of sales. The effect of the time value of money is not material and therefore the provisions are not discounted.

2.3 Significant accounting policies (continued)

Dilapidation costs

The provision for dilapidation represents the cost of restoring the site after the start of the occupancy. Changes in the provision are recorded within cost of sales in the statement of profit or loss and other comprehensive income.

Dilapidation costs are estimated at the present value of the expenditures expected to settle the obligation, using estimated cash flows based on current prices and adjusted for risks specific to the liability. The estimates are discounted at a pre-tax rate that reflects current market assessments of the time value of money.

The Company reviews its recorded provisions on a quarterly basis and any adjustment is recognised in income.

Decommissioning costs

The provision for decommissioning represents the cost that will arise from rectifying changes to leased and rented properties made before occupancy of sites commences. Accordingly, a provision is recognised, and a decommissioning asset is recognised and included within tangible assets (notes 10 and 14).

In line with IAS 37, assets for decommissioning costs are created and a provision is made for the present value of the expenditures expected to settle the obligation, using estimated cash flows based on current prices. The unwinding of the decommissioning obligation is included in interest payable and similar charges, and the asset is amortised over the length of the lease and charged to cost of sales. Estimated future costs of decommissioning obligations are reviewed regularly and adjusted as appropriate for new circumstances including changes in law or technology. Changes in estimates are capitalised or reversed against the relevant asset. Estimates are discounted at a pre-tax rate that reflects current market assessments of the time value of money.

Exceptional Items

The Company presents as exceptional items those material items of income and expenditure which, because of their nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

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.

3. Changes in accounting policies

Financial instruments

In July 2014, the IASB completed the three-part project to replace IAS 39, Financial instruments: recognition and measurement by issuing IFRS 9, Financial instruments. IFRS 9 includes classification and measurement of financial assets and financial liabilities, a forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting.

IFRS 9 uses a new approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9. However, the portion of the changes in fair value related to the entity's own credit risk, in measuring a financial liability designated at FVTP&L, is presented in OCI rather than in the statement of income, unless the effect of the changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

3. Changes in accounting policies (continued)

IFRS 9 also introduced a new expected credit loss impairment model that requires more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a more timely basis.

Lastly, IFRS 9 introduced a new hedge accounting model, together with corresponding disclosures about risk management activities. The new hedge accounting model represents a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in their financial statements.

IFRS 9 was adopted effective January 1, 2018 and resulted in immaterial adjustments.

Revenue Recognition

In May 2014, the IASB released IFRS 15, *Revenue from contracts with customers*, which supersedes IAS 11, *Construction Contracts,* and IAS 18, *Revenue* as well as other related interpretations. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognized when, or as, the customer obtains control of the goods or services.

The long-term manufacturing and service contracts at Bombardier Transportation (Rolling Stock) UK Ltd previously accounted for under the percentage-of-completion method meet the requirements for revenue recognition over time and therefore will continue to apply the percentage-of-completion method.

IFRS 15 indicates IAS 37, Provisions, Contingent liabilities and Contingent Assets, should be applied to onerous contracts but contains no other requirements as to their measurement. On adoption of IFRS 15, all loss provisions for contracts with customers follow the same policy for the definition of unavoidable costs of fulfilling the contract.

In line with one of the two approaches identified as reasonable by the IFRS Interpretations Committee in its 13 June 2017 tentative agenda decision, Bombardier Transportation (Rolling Stock) UK Ltd defines unavoidable costs as the costs that Bombardier Transportation (Rolling Stock) UK Ltd cannot avoid because it has the contract (for example, this would include an allocation of overhead costs if those costs are incurred for activities required to complete the contract). This approach was used for long-term contracts within Bombardier Transportation (Rolling Stock) UK Ltd and results in no change.

IFRS 15 was adopted effective January 1, 2018 and the changes have been accounted for retroactively in accordance with the transition rules of IFRS 15.

Since IFRS 15 indicates IAS, Provisions, Contingent liabilities and Contingent Assets should be applied to onerous contracts, the onerous contract provisions related to long-term contracts are no longer netted against contract related balances.

There is no impact in the financial statements for 2018 nor re-statement of 2017 financial statements required.

4. Turnover

All reported turnover and operating profit is considered to originate from the UK, turnover recognised in the statement of profit or loss and other comprehensive income is analysed as follows:

	2018	2017
	£'000	£'000
Sales deliveries	**5,371**	5,369
Total	**5,371**	5,369

Notes to the Financial Statements (continued)

5. Operating profit

The profit from continuing activities before taxation is stated after charging:

	2018	2017
	£'000	£'000
Cost of stock recognised as an expense included in cost of sales (including write down of stocks to net realisable value)	**36**	72
Depreciation of fixed assets		
- owned assets	**(93)**	(192)
Gain on disposal of fixed assets	**-**	1
Auditor remuneration	**(9)**	-

The operating lease payments recognised in the period amount to £695,000 (2017: £666,000). Auditor remuneration for 2017 was borne by a Group company.

6. Staff costs and Directors' emoluments

	2018	2017
a) Staff costs	**£'000**	£'000
Wages and salaries	**1,449**	1,590
Social security costs	**130**	133
Other pension costs	**98**	100
	1,677	1,823

b) Average monthly number of employees during the year	**2018**	2017
	No.	No.
Production	**26**	29
Project management	**16**	18
Administration	**2**	2
Engineering	**8**	8
	52	57

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 2018 and 31 December 2017.

Notes to the Financial Statements (continued)

7. Interest payable and similar charges

	2018 £'000	2017 £'000
Unwinding of discounts on provisions (Note 15)	3	3
	3	3

8. Interest receivable

	2018 £'000	2017 £'000
Amounts received from Group undertakings	7	-
	7	-

9. Discontinued operations

On 28 February 2019, the Company publicly announced the decision to sell the Cabling division of the Company; the sale of the division was subsequently completed on 29 March 2019. At the 31 December 2018, the Cabling division was classified as a disposal group held for sale and as a discontinued operation. The Cabling division represents the entirety of the looms, wiring, cabling and interior parts for the side panels of train body shells.

	2018 £'000	2017 £'000
Turnover	**35,564**	35,378
Cost of sales	(23,858)	(24,874)
Gross profit	**11,706**	10,504
Administrative expenses	(7,954)	(5,860)
Operating profit	**3,752**	4,644
Interest receivable	12	40
Profit before tax from discontinued operations	**3,764**	4,684
Tax charge	(613)	(977)
Profit for the year from discontinued operations	**3,151**	3,707

The major classes of assets and liabilities of the Cabling division classified as held for sale as at 31 December are as follows:

	2018 £'000
Assets	
Tangible assets	1,036
Liabilities	
Deferred tax provision	(119)
Net assets directly associated with disposal group	**917**

Notes to the Financial Statements (continued)

10. Taxation on profit

	2018	2017
	£'000	£'000
a) Analysis of taxation charge		
Current year corporation tax payable	**853**	1,048
Adjustments in respect of previous years	**53**	74
Deferred taxation credit	**(161)**	-
Taxation on profit (Note 10(b))	**745**	1,122

	2018	2017
b) Reconciliation of total taxation charge		
Profit before tax	**4.578**	5,381
Profit multiplied by standard rate of corporation taxation in the UK of 19.00% (2017: 19.25%)	**870**	1,035
Effects of:		
Deferred taxation credit		
- continuing operations	**(42)**	-
- discontinued operations	**(119)**	-
Adjustment in respect of prior year	**36**	87
Total tax charge for the year (Note 10(a))	**745**	1,122

c) Factors that may affect future tax charges

The standard rate of UK corporation tax was reduced to 19% on 1 April 2017 and will be further reduced to 17% with effect from 1 April 2020. These rates were enacted on 18 November 2015 and 15 September 2016 respectively and in accordance with accounting standards, have been reflected in the above tax reconciliation and the measurement of deferred tax in the Company's financial statements.

11. Tangible fixed assets

	Plant and machinery	Assets in the course of construction	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2018	3,082	25	3	3,110
Additions	283	206	-	489
Disposal of assets	(8)	-	-	(8)
Transfer to assets held for sale	(2,321)	(231)	-	(2,552)
At 31 December 2018	1,036	-	**3**	**1,039**
Depreciation				
At 1 January 2018	1,823	-	3	1,826
Charge for the year	375	-	-	375
Disposal of assets	(8)	-	-	(8)
Transfer to assets held for sale	(1,516)	-	-	(1,516)
At 31 December 2018	**674**	-	**3**	**677**
Net book value				
At 31 December 2017	1,259	25	-	1,284
At 31 December 2018	362	-	-	**362**

Notes to the Financial Statements (continued)

11. Tangible fixed assets (continued)

Included in plant and machinery is £59,000 in respect of the decommissioning provision on the office lease (2017: £59,000), the depreciation on the asset amounts to £31,000 (2017: £25,000).

12. Stock

	2018 £'000	2017 £'000
Raw materials and consumables	**6,282**	3,572
Work in progress	**3,210**	1,312
Finished goods	**146**	347
	9,638	5,231

The difference between purchase price or production cost of stocks and their replacement cost is not material.

13. Debtors

	2018 £'000	2017 £'000
a) Debtors due after one year		
Deferred taxation (note 15b)	**161**	77
	161	77
b) Debtors due within one year		
Trade debtors	**415**	579
Amounts owed by group undertakings	**15,624**	16,471
Prepayments and accrued income	**87**	50
Other debtors	**-**	-
Other taxes receivable	**1,361**	1,589
	17,487	18,689
	17,648	18,766

14. Creditors

	2018 £'000	2017 £'000
a) Creditors falling due within one year		
Trade creditors	**5,742**	6,254
Other taxes and social security	**229**	217
Corporation Tax payable	**1,973**	1,673
Accruals and other creditors	**588**	809
	8,532	8,953

Notes to the Financial Statements (continued)

15. Provisions

a) Provisions for liabilities

	Warranty	Decommissioning & Dilapidation	Total
	£'000	£'000	£'000
At 1 January 2018	235	71	306
Arising during the year	108	-	108
Unused amounts released during the year	(120)	-	(120)
Utilised during the year	-	-	-
Unwinding of discount	-	3	3
At 31 December 2018	**223**	**74**	**297**

Warranty and decommissioning provisions are described in the accounting policies (note 2).

b) Deferred taxation

The movements in deferred taxation during the current year are as follows:

	2018 recognised	2017 recognised
	£'000	£'000
Accelerated capital allowance	**100**	9
Other temporary differences	**61**	68
	161	77
Of which relates to:		
continuing operations	**42**	-
discontinued operations	**119**	-
Deferred taxation asset	**161**	77

	Recognised
	£'000
As at 1 January 2018	**77**
Capital allowances in excess of depreciation	**92**
Other timing differences	**(8)**
As at 31 December 2018	**161**

The deferred taxation asset of £161,000 (2017: £77,000) has been recognised because there is an expectation of sufficient profits to fully offset these tax deductions in the foreseeable future. There are no unrecognised amounts.

16. Share capital

	2018	**2018**
	No.	**£'000**
Authorised, Allotted, called up and fully paid:		
Ordinary shares of £1 each	**12,000,000**	**12,000**

Notes to the Financial Statements (continued)

17. Reserves

	Retained Earnings £'000
As at 31 December 2016	**(237)**
Total Comprehensive Income	4,259
As at 31 December 2017	**4,022**
Total Comprehensive Income	3,833
As at 31 December 2018	**7,855**

18. Pensions

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 £348,000 (2017: £346,000). The amount of outstanding pension contributions payable included in accruals and other creditors at 31 December 2018 amounted to £nil (2017: £nil).

19. Obligation under leases contracts

At 31 December 2018, the total obligations for minimum lease payments under non-cancellable operating leases are as follows:

	Land & buildings 2018 £'000	Land & buildings 2017 £'000
Future minimum lease payments due		
Within one year	**102**	105
Within two to five years	**349**	525
After 5 years	-	44
	451	674

20. Parent company

The Company's immediate parent undertaking is Bombardier Transportation UK Ltd which is itself part of the Group headed by Bombardier Transportation (Holdings) UK Ltd, a company registered in England and Wales.

In the Directors' opinion the Company's ultimate parent company and controlling party is Bombardier Inc., which is incorporated in Canada and which is both the smallest and the largest group of undertakings for which the Company's accounts are drawn up and of which the Group is a member. Group accounts for Bombardier Inc. are available from Corporate Office, 800 Rene-Levesque Blvd, West Montreal, Quebec, Canada H2B 1YB.