

Bombardier Transportation (Rolling Stock) UK Limited

**Directors' Reports and Financial Statements
For the year ended 31 December 2019**

Registered number 02988520



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Bombardier Transportation (Rolling Stock) UK Limited

Directors' reports and Financial Statements for the year ended 31 December 2019

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Company Information

Directors	R Hunter	(Resigned 1 February 2019)
	M Byrne (Chairman)	(Appointed 5 November 2019)
	G J Mowbray	(Resigned 31 July 2019)
	K M Parkes	
	J J Rawding	(Appointed 4 September 2019)
	P Hufton	(Appointed 5 March 2019) (Resigned 31 October 2019)
Secretary	C G Hakes	(Appointed 30 September 2019)
	L S West	(Resigned 29 September 2019)
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 2019.

Results and dividends for the year

The profit for the year from continuing operations after taxation was £1,713,000. (2018: £682,000 profit). The Directors do not recommend the payment of a dividend (2018: £nil).

A more detailed review of the Company's key financial and other performance indicators during the year are included in the Strategic Report.

Going Concern

The company's business activities, together with the factors likely to affect its future development and position, are discussed in the Strategic Report. These factors have been considered when preparing the financial projections of the Company.

As of 31 December 2019, the Company had net current assets of £22.2 million (2018: £19.7 million), and net assets of £22.4 million (2018: £19.9 million). Total current liabilities were £4.5 million (2018: £8.7 million) as at the end of the period, with non-current liabilities of £0.6 million (2018: £0.2 million).

The Directors have prepared cash flow forecasts 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. This forecast show that the company is expected to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the 2019 financial statements up to at least the end of April 2022.

On the basis of the forecasts prepared by management, the Directors are satisfied that the Company is able to meet its liabilities as they fall due in the foreseeable future and to withstand the impact of COVID-19. Accordingly, the directors believe it is appropriate to prepare the financial statements on the going concern basis.

The Financial Statements of Bombardier Transportation (Rolling Stock) UK Limited have been prepared on a going concern basis.

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.

Directors' Report (continued)

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***Impact of COVID 19***

The Company has concluded that the COVID-19 crisis is a non-adjusting post balance sheet event as at 31 December 2019, on the basis that the World Health Organisation was first informed of cases of a new virus in Wuhan on 31 December 2019 and as such had not declared a global health emergency at that date. Consequently, no adjustments have been made to the Company's reported results or financial position as a result of COVID-19.

The future financial impact cannot presently be estimated as it is highly dependent on the severity and duration of the ongoing pandemic. Whilst, as of the date of signing the financial statements, the UK is easing out of lock down, if there were further severe ongoing impact of the pandemic, this could be material to the Company's future financial performance and position.

Sale of the Bombardier Transportation Group to Alstom

On 17 February 2020, Bombardier Inc. signed a Memorandum of Understanding (MOU) with Alstom SA and Caisse de Dépôt et placement du Québec "CDPQ" for the sale of its Transportation Business to Alstom. Under the transaction, Bombardier Inc. and CDPQ will sell their interests in Bombardier Transportation to Alstom on the basis of an enterprise value of \$8.2 billion.

On 29 January 2021, Bombardier Inc. closed the sale of the Transportation Business to Alstom. Total proceeds to the vendors after the deduction of debt-like items and transferred liabilities are \$6.0 billion, including the amount paid by Alstom to redeem Bombardier Inc. and CDPQ's capital injections of €400 million.

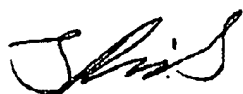
Disclosure of information to the auditors

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
30 April 2021

Strategic Report

The Directors have pleasure in presenting their Strategic Report for the year ended 31 December 2019.

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, liabilities and trade 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 £1,713,000. (2018: £682,000 profit). The Directors do not recommend the payment of a dividend (2018: £nil). The Company's key financial and other performance indicators during the year for continuing operations were as follows:

	2019	2018	Year on year variance
	£'000	£'000	£'000
Company turnover	5,533	5,371	162
Gross profit	2,798	1,782	1,016
Total operating profit	2,004	810	1,194
Profit after taxation from continuing operations	1,713	682	1,031
Profit for the year (including discontinued operations)	2,511	3,833	(1,322)
Average number of employees	56	52	4

Principal risks and uncertainties

The main risks arising from the Company's financial instruments are liquidity risk, credit risk, interest rate 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.

Bombardier Transportation (Rolling Stock) UK Limited

Directors' Reports and Financial Statements for the year ended 31 December 2019

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Strategic Report

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates to its cash and short-term deposits, and decommissioning and dilapidations provisions, all of which have floating interest rates. The Company actively participates in the Bombardier Transportation Group's cash pooling scheme and therefore receives appropriate interest rates from Group treasury.

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.
- Brexit

The company continues to work closely with supply chain and other stakeholders to understand and manage any remaining risk from Brexit.

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
30 April 2021

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
- prepare the Financial Statements on a going concern basis unless they consider that to be inappropriate.

The Directors are also 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.

Bombardier Transportation (Rolling Stock) UK Limited

Directors' Reports and Financial Statements for the year ended 31 December 2019

Independent Auditors' Report to the Members of Bombardier Transportation (Rolling Stock) UK Limited

Disclaimer of Opinion

We were engaged to audit the financial statements of Bombardier Transportation (Rolling Stock) UK Limited for the year ended 31 December 2019 which comprise Statement of Profit and Loss and Other Comprehensive Income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

We do not express an opinion on the accompanying financial statements of the company. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Following the sale of the Cabling division of the entity to a third party, the Company lost access to various records and supporting evidence related to the transactions of this division for the period from 1 January 2019 to the disposal on 31 March 2019. As of the date of our audit opinion, the Company has not yet obtained access or been able to appropriately recreate the lost records. Therefore, we have been unable to obtain appropriate information to audit these transactions and the related balances.

We were unable to confirm or verify by alternative means the profit after tax for the year arising from discontinued operations of £798,000 within the Statement of Profit or Loss and Other Comprehensive Income or the related disclosures for turnover, cost of sales, administrative expenses, interest receivable and tax charge given in Note 9. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of these balances and the associated impact on the Statement of Profit or Loss and Other Comprehensive Income and the Statement of changes in equity.

Opinions on other matters prescribed by the Companies Act 2006

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether 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

Notwithstanding our disclaimer of an opinion on the financial statements, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, performed subject to the pervasive limitation described above, we have not identified material misstatements in the strategic report or directors' report.

Arising from the limitation of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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:

- 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.

Bombardier Transportation (Rolling Stock) UK Limited

Directors' Reports and Financial Statements for the year ended 31 December 2019

Independent Auditors' Report to the Members of Bombardier Transportation (Rolling Stock) UK Ltd

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.

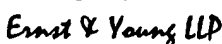
Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

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.

DocuSigned by:

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Helen McLeod-Jones (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham
30 April 2021

Statement of Profit or Loss and Other Comprehensive Income

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	4	5,533	5,371
Cost of sales		<u>(2,735)</u>	<u>(3,589)</u>
Gross profit		2,798	1,782
Administrative expenses		(2,901)	(972)
Exceptional Items	9	<u>2,107</u>	<u>-</u>
Operating profit	5	2,004	810
Interest receivable	8	57	7
Interest payable	7	<u>(15)</u>	<u>(3)</u>
Profit before taxation from continuing operations		2,046	814
Income Tax Expense	10	<u>(333)</u>	<u>(132)</u>
Profit for the year from continuing operations		1,713	682
 Discontinued operations			
Profit after tax for the year from discontinued operations	9	<u>798</u>	<u>3,151</u>
Profit for the year		2,511	3,833

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.

The notes on pages 12 to 25 form part of these Financial Statements. In both the current and prior year the company classified the operations of the Cabling Division as a Discontinued Operation. Refer to Note 9 for details relating to Discontinued Operations.

Bombardier Transportation (Rolling Stock) UK Limited

Directors' Reports and Financial Statements for the year ended 31 December 2019

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Statement of Changes in Equity

Statement of Changes in Equity

For the year ended 31 December 2019

	Equity Share Capital	Retained Earnings	Total Equity
	£'000	£'000	£'000
At 1 January 2018	12,000	4,022	16,022
Total comprehensive income for the year	-	3,833	3,833
At 31 December 2018	12,000	7,855	19,855
Total comprehensive income for the year	-	2,511	2,511
At 31 December 2019	12,000	10,366	22,366

The notes on pages 12 to 25 form part of these Financial Statements.

Bombardier Transportation (Rolling Stock) UK Limited**Directors' Reports and Financial Statements for the year ended 31 December 2019****BOMBARDIER**
the evolution of mobility**Balance Sheet****Balance Sheet**

As at 31 December 2019

	<i>Note</i>	2019 £'000	2018 £'000
Fixed Assets			
Tangible fixed assets	11	316	362
Right of use assets	12	393	-
		<u>709</u>	<u>362</u>
Current assets			
Stocks	13	1,687	9,638
Debtors	14	25,003	17,648
Current assets held for sale	9	-	1,036
Total current assets		<u>26,690</u>	<u>28,322</u>
Current liabilities			
Creditors amounts falling due within one year	15	(4,459)	(8,532)
Current liabilities held for sale	9	-	(119)
		<u>(4,459)</u>	<u>(8,651)</u>
Net current assets		<u>22,231</u>	<u>19,671</u>
Total assets less current liabilities		<u>22,940</u>	<u>20,033</u>
Non-current liabilities			
Creditors amounts falling due after one year	15	(271)	-
Provisions for liabilities	16	(303)	(178)
		<u>(574)</u>	<u>(178)</u>
Net assets		<u>22,366</u>	<u>19,855</u>
Capital and reserves			
Called up share capital	17	12,000	12,000
Profit and loss account	18	10,366	7,855
Shareholders' funds		<u>22,366</u>	<u>19,855</u>

The notes on pages 12 to 25 form part of these Financial Statements.

These Financial Statements were approved and authorised for issue by the Board of Directors on 30 April 2021 and were signed on its behalf by:



J J Rawding
Director
Derby, UK
30 April 2021

Notes to the Financial Statements

Notes to the Financial Statements**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 2019 were authorised and issued by the Board of Directors on 30 April 2021 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 Great British Pound 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.

The Company has taken advantage of the exemption provided by Financial Reporting Standard 101, from the requirement to provide a cash flow statement.

2. Accounting policies**2.1 Basis of preparation**

The financial statements have been prepared under the historical cost convention, 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.

Bombardier Transportation (Rolling Stock) UK Limited

Directors' Reports and Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements (continued)

2. Accounting policies (continued)**Going Concern**

The company's business activities, together with the factors likely to affect its future development and position, are discussed in the Strategic Report. These factors have been considered when preparing the financial projections of the Company.

As of 31 December 2019, the Company had net current assets of £22.2 million (2018: £19.7 million), and net assets of £22.4 million (2018: £19.9 million). Total current liabilities were £4.5 million (2018: £8.7 million) as at the end of the period, with non-current liabilities of £0.6 million (2018: £0.2 million).

The Directors have prepared cash flow forecasts 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. This forecast show that the company is expected to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the 2019 financial statements up to at least the end of April 2022.

On the basis of the forecasts prepared by management, the Directors are satisfied that the Company is able to meet its liabilities as they fall due in the foreseeable future and to withstand the impact of COVID-19. Accordingly, the directors believe it is appropriate to prepare the financial statements on the going concern basis.

The Financial Statements of Bombardier Transportation (Rolling Stock) UK Limited have been prepared on a going concern basis.

2. 2 International Reporting Standards Issued prior to their mandatory effective date.

In terms of FRS 101, the company is exempt from disclosures regarding the impact of accounting standards issued but not yet effective.

2. 3 Judgements and key sources of estimating uncertainty

The application of the Company's accounting policies 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.

Management's best estimates concerning the future are based on the facts and circumstances available at the time estimates are made, however, the nature of estimation means that actual outcomes could differ from those estimates.

The following identifies areas where management's judgements and estimates have the most significant effect on amounts recognised in the financial statements.

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. 4 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.

Bombardier Transportation (Rolling Stock) UK Limited

Directors' Reports and Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

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.

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.

Bombardier Transportation (Rolling Stock) UK Limited

Directors' Reports and Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements (continued)

2. Accounting policies (continued)**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.

Trade and other debtors

Trade debtors, which generally have 30 – 90-day terms, are recognised and carried at the lower of their original invoice value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when in line with the ECL method prescribed by IFRS 9. Balances are written off when the probability of recovery is assessed as being remote. IFRS 9 requires the company to apply an expected credit loss impairment model that requires more timely recognition of expected credit losses. The standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

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.

Financial assets

Financial assets are recognised when the Company becomes party to the contracts that give rise to them and are classified as financial assets at fair value through profit or loss; or as loans and receivables, as appropriate. The Company determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date, being the date that the Company commits to purchase or sell the asset. Regular way transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place. The subsequent measurement of financial assets depends on their classification, as follows:

Financial assets classified as held for trading and other assets designated as such on inception are included in this category. Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives are also classified as held for trading unless they are designated as hedging instruments. Financial assets are carried in the balance sheet at fair value with gains or losses recognised in the statement of profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available for sale. Such assets are carried at amortised cost using the effective interest method if the time value of the money is significant. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Bombardier Transportation (Rolling Stock) UK Limited

Directors' Reports and Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements (continued)

2. Accounting policies (continued)**Financial liabilities**

Financial liabilities are recognised when the Company becomes party to the contracts that give rise to them and are classified as financial liabilities at fair value through profit or loss.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

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.

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 11 and 16).

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.

Bombardier Transportation (Rolling Stock) UK Limited

Directors' Reports and Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements (continued)**2. Accounting policies (continued)****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**3.1 Leases**

In January 2016, the IASB released IFRS 16, Leases, to replace the previous leases Standard, IAS 17, Leases, and related Interpretations. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, the customer (lessee) and the supplier (lessor). IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. IFRS 16 also substantially carries forward the lessor accounting requirements. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 was adopted effective January 1, 2019, and the Company elected to use the *modified retrospective approach* whereby comparative periods were not restated. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application.

IFRS 16 was adopted effective 1 January 2019 and resulted in the following adjustments.

IFRS 16 Restatement of financial statements

	2019
	£'000
Operating lease commitments as at 31 December 2018	451
Adjustment to lease commitments	77
Lease liabilities at 1 January 2019 before discounting	528
Discounted using the incremental borrowing rate at 1 January 2019	(30)
Lease Liabilities recognised at 1 January 2019	498

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:

	2019	2018
	£'000	£'000
Sales deliveries	5,533	5,371
Total	5,533	5,371

Bombardier Transportation (Rolling Stock) UK Limited**Directors' Reports and Financial Statements for the year ended 31 December 2019****Notes to the Financial Statements (continued)****5. Operating profit**

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

	2019	2018
	£'000	£'000
Cost of stock recognised as an expense included in cost of sales (including write down of stocks to net realisable value)	44	36
Depreciation of fixed assets		
- Owned assets	84	93
- Right of use assets	321	-
Auditor remuneration	30	-

The operating lease payments recognised in the period amount to Nil (2018: £695,000)

6. Staff costs and Directors' emoluments

	2019	2018
	£'000	£'000
a) Staff costs		
Wages and salaries	1,646	1,449
Social security costs	168	130
Other pension costs	122	98
	<u>1,936</u>	<u>1,677</u>

b) Average monthly number of employees during the year

	2019	2018
	No.	No.
Production	30	26
Project management	16	16
Administration	2	2
Engineering	8	8
	<u>56</u>	<u>52</u>

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 2019 and 31 December 2018.

7. Interest payable and similar charges

	2019	2018
	£'000	£'000
Unwinding of discounts on provisions (Note 16)	3	3
Interest on Leases	12	-
	<u>15</u>	<u>3</u>

Bombardier Transportation (Rolling Stock) UK Limited

Directors' Reports and Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements (continued)**8. Interest receivable**

	2019	2018
	£'000	£'000
Amounts received from Group undertakings	57	7
	<u>57</u>	<u>7</u>

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 31 December 2018 the Cabling division was classified as a disposal held for sale and as discontinued operations. The Cabling division manufactures and produces the looms, wiring, cabling and interior parts for the roof and side panels of train body shells.

	2019	2018
	£'000	£'000
Turnover	11,057	35,564
Cost of sales	(6,075)	(23,858)
Gross profit	4,982	11,706
Administrative expenses	(3,934)	(7,954)
Operating profit	1,048	3,752
Interest receivable	16	12
Profit before tax from discontinued operations	1,064	3,764
Tax charge	(266)	(613)
Profit for the year from discontinued operations	<u>798</u>	<u>3,151</u>

Assets and liabilities held for sale

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

	2019	2018
	£'000	£'000
Assets		
Tangible assets	-	1,036
Liabilities		
Deferred tax provision	-	(119)
Net assets directly associated with disposal group	<u>-</u>	<u>917</u>

9a) Exceptional Items

The profit on disposal of the assets held for sale is classified as an exceptional profit for the year as it is outside of the normal course of business for the Company.

	2019	2018
	£'000	£'000
Consideration received on disposal	10,731	-
Carrying value of assets held for sale	(8,624)	-
Profit on disposal of assets held for sale	<u>2,107</u>	<u>-</u>

Bombardier Transportation (Rolling Stock) UK Limited**Directors' Reports and Financial Statements for the year ended 31 December 2019****Notes to the Financial Statements (continued)****10. Taxation on profit**

	2019 £'000	2018 £'000
a) Analysis of taxation charge		
Current income tax		
Current year Group Relief payable	566	853
Adjustments in respect of previous years	29	53
	<u>595</u>	<u>906</u>
Deferred taxation		
Deferred taxation (credit)/ charge	4	(161)
	<u>4</u>	<u>(161)</u>
Taxation on profit (Note 10(b))	<u>599</u>	<u>745</u>
Taxation related to continuing operations	333	613
Taxation related to discontinued operations	266	132
	<u>599</u>	<u>745</u>
b) Reconciliation of total taxation charge		
Profit before tax	3,111	4,578
Profit multiplied by standard rate of corporation taxation in the UK of 19.00% (2018: 19.00%)	591	870
<u>Effects of:</u>		
Change of deferred tax rate	(18)	-
- continuing operations	(13)	(42)
- discontinued operations	-	(119)
Adjustment in respect of prior year	39	36
Total tax charge for the year (Note 10(a))	<u>599</u>	<u>745</u>

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. On 12 March 2020 the Chancellor announced that the tax rate would remain at 19% from 1 April 2020, this change was substantively enacted on 17 March 2020. As this change had not been substantively enacted at the balance sheet date it has not been included in the deferred tax balances and is not expected to have a material impact on the financial statements. On 3 March 2021 the Chancellor announced that the rate would increase from 19% to 25% with effect from 1 April 2023.

Bombardier Transportation (Rolling Stock) UK Limited

Directors' Reports and Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements (continued)**11. Tangible fixed assets**

	Plant and machinery	Motor vehicles	Total
	£'000	£'000	£'000
Cost			
At 1 January 2019	1,036	3	1,039
Additions	38	-	38
At 31 December 2019	1,074	3	1,077
Depreciation			
At 1 January 2019	674	3	677
Charge for the year	84	-	84
At 31 December 2019	758	3	761
Net book value			
At 31 December 2018	362	-	362
At 31 December 2019	316	-	316

Included in plant and machinery is £59,000 in respect of the decommissioning provision on the office lease (2018: £59,000), the depreciation on the asset amounts to £37,000 (2018: £31,000).

12. Right of use assets

	Buildings	Cars	Equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2019	-	-	-	-
Adoption of IFRS 16	498	33	183	714
At 31 December 2019	498	33	183	714
Depreciation				
At 1 January 2019	-	-	-	-
Charge for the year	113	25	183	321
At 31 December 2019	113	26	183	321
Net book value				
At 31 December 2018	-	-	-	-
At 31 December 2019	385	8	-	393

13. Stock

	2019	2018
	£'000	£'000
Raw materials and consumables	1,204	6,282
Work in progress	454	3,210
Finished goods	28	146
	1,687	9,638

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

Bombardier Transportation (Rolling Stock) UK Limited

Directors' Reports and Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements (continued)**14. Debtors**

	2019 £'000	2018 £'000
a) Debtors due after one year		
Deferred taxation (note 16b)	157	161
	<u>157</u>	<u>161</u>
b) Debtors due within one year		
Trade debtors	898	415
Amounts owed by group undertakings	21,589	15,624
Prepayments and accrued income	8	87
Other Debtors	2,351	-
Other taxes receivable	-	1,361
	<u>24,846</u>	<u>17,487</u>
	<u>25,003</u>	<u>17,648</u>

15. Creditors

	2019 £'000	2018 £'000
a) Creditors falling due within one year		
Trade creditors	1,360	5,742
Other taxes and social security	59	229
Corporation Tax payable	2,143	1,973
Accruals and other creditors	782	588
Lease Liabilities - within 1 Year	115	-
	<u>4,459</u>	<u>8,532</u>
b) Creditors falling due after one year		
Lease Liabilities - after 1 Year	<u>271</u>	<u>-</u>

16. Provisions**a) Provisions for liabilities**

	Warranty £'000	Decommissioning £'000	Total £'000
At 1 January 2019	223	74	297
Arising during the year	111	-	111
Unused amounts released during the year	(108)	-	(108)
Utilised during the year	-	-	-
Unwinding of discount	-	3	3
At 31 December 2019	<u>226</u>	<u>77</u>	<u>303</u>

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

Bombardier Transportation (Rolling Stock) UK Limited**Directors' Reports and Financial Statements for the year ended 31 December 2019****Notes to the Financial Statements (continued)****16. Provisions (continued)****b) Deferred taxation**

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

	2019 recognised £'000	2018 recognised £'000
Accelerated capital allowance	130	100
Other temporary differences	27	61
	157	161
Of which relates to:		
continuing operations	157	(42)
discontinued operations	-	(119)
Deferred taxation asset	157	161
		Recognised £'000
As at 1 January 2019		161
Capital allowances in excess of depreciation		30
Other timing differences		(34)
As at 31 December 2019		157

The deferred taxation asset of £157,000 (2018: £161,000) 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.

17. Share capital

	2019 No.	2019 £'000
Authorised, Allotted, called up and fully paid:		
Ordinary shares of £1 each	12,000,000	12,000

18. Reserves

	Retained Earnings £'000
As at 1 January 2018	4,022
Total Comprehensive Income	3,833
As at 31 December 2018	7,855
Total Comprehensive Income	2,511
As at 31 December 2019	10,366

Bombardier Transportation (Rolling Stock) UK Limited**Directors' Reports and Financial Statements for the year ended 31 December 2019****Notes to the Financial Statements (continued)****19. 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 £175,000 (2018: £348,000). The amount of outstanding pension contributions payable included in accruals and other creditors at 31 December 2019 amounted to £nil (2018: £nil).

20. Lease Liabilities

	2019 £'000	2018 £'000
Contractual undiscounted cashflows		
Within one year	124	-
Within two to five years	280	-
After 5 years	-	-
	<u>404</u>	<u>-</u>
Lease liabilities included in the financial statements		
Current	115	-
Non current	271	-
	<u>386</u>	<u>-</u>

Obligations under leases and hire purchase contracts

Effective 1 January 2019, the Company adopted *IFRS 16, Leases*. Note 12 applies the revised disclosure requirements accordingly.

The total obligations for minimum lease payments under non-cancellable operating leases are as follows:

	Land & buildings 2019 £'000	Land & buildings 2018 £'000
Future minimum lease payments due		
Within one year	-	102
Within two to five years	-	349
After 5 years	-	-
	<u>-</u>	<u>451</u>

21. Events Since the Balance Sheet Date*Impact of COVID 19*

The Company has concluded that the COVID-19 crisis is a non-adjusting post balance sheet event as at 31 December 2019, on the basis that the World Health Organisation was first informed of cases of a new virus in Wuhan on 31 December 2019 and as such had not declared a global health emergency at that date. Consequently, no adjustments have been made to the Company's reported results or financial position as a result of COVID-19.

Bombardier Transportation (Rolling Stock) UK Limited

Directors' Reports and Financial Statements for the year ended 31 December 2019

Notes to the Financial Statements (continued)

21. Events Since the Balance Sheet Date (continued)

The future financial impact cannot presently be estimated as it is highly dependent on the severity and duration of the ongoing pandemic. Whilst, as of the date of signing the financial statements, the UK is easing out of lock down, if there were further severe ongoing impact of the pandemic, this could be material to the Company's future financial performance and position.

Sale of the Bombardier Transportation Group to Alstom

On 17 February 2020, Bombardier Inc. signed a Memorandum of Understanding (MOU) with Alstom SA and Caisse de Dépôt et placement du Québec "CDPQ" for the sale of its Transportation Business to Alstom. Under the transaction, Bombardier Inc. and CDPQ will sell their interests in Bombardier Transportation to Alstom on the basis of an enterprise value of \$8.2 billion.

On 29 January 2021, Bombardier Inc. closed the sale of the Transportation Business to Alstom. Total proceeds to the vendors after the deduction of debt-like items and transferred liabilities are \$6.0 billion, including the amount paid by Alstom to redeem Bombardier Inc. and CDPQ's capital injections of €400 million.

22. 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.

The company's ultimate parent undertaking and ultimate controlling party is ALSTOM, a company incorporated in France.