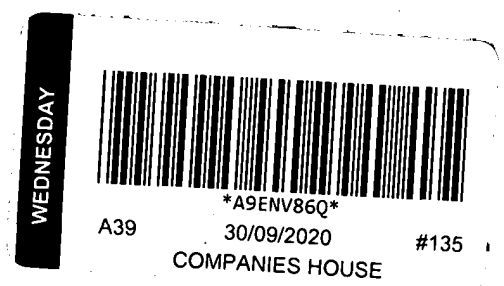


Company Registration No. 03162437 (England and Wales)

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019



CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

COMPANY INFORMATION

Directors

D Wear
A Aga
L Eskenazi (Appointed 7 February 2019)
H Hageman (Appointed 14 October 2019)

Secretary

A Jenkins
B Wirbs (Appointed 22 August 2019)
H Hageman (Appointed 14 October 2019)

Company number

03162437

Registered office

AFC House
Honeycrook Lane
Salfords
Redhill
Surrey
RH1 5LA

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

National Westminster Bank PLC
Knightsbridge Branch
P O Box 6037
186 Brompton Road
London
SW3 1XJ

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

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CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

The directors present the strategic report and financial statements for the year ended 30 September 2019.

Review of the business

Cubic Surface Transportation Systems Limited focuses on road projects, primarily in the London area. As such, it is currently providing services to a single client - Transport for London - across three contracts. These services include the maintenance of traffic lights, tunnel signage and supporting elements of the London Cycle Hire scheme. The latter is contracted via its sister company, Cubic Transportation Systems Limited.

Although recently reduced in scope, the traffic light and tunnel signage maintenance contracts have been successfully retained by the company since their original award over a decade ago. Recognizing that these activities are becoming less specialized, the company continues to examine where it can differentiate itself from the competition and offer greater added value and innovation. This will be a determining factor when the contracts are re-competed in 2020 and 2021.

The company continues to explore opportunities to grow into adjacent markets and services and develop the means of growing the scale of the existing contracts, including supporting development of London Cycle Superhighways.

On 24 August 2017 Cubic (UK) Limited, the immediate parent company, transferred its entire investment in Cubic Transportation Systems Limited to the company for nil consideration.

Principal risks and uncertainties

Business risks

The Company prepares and presents financial statements based on a prudent assessment of risks inherent within its contracts; these include risks associated with schedule, quality and resources, which are common to works undertaken on a contract or project by project basis.

Operational risk and business disruption due to COVID-19

The company, like many others, is being affected by the impact that the COVID-19 pandemic is having on the national and global economy. The company monitors developments which may affect its sites and customers, taking the necessary and practicable steps to mitigate the disruption to business. In light of the recent COVID-19 outbreak, the company has taken a number of mitigation precautions including enabling remote working and restricting non-essential travel. Whilst the potential impact of COVID-19 is hard to predict at the time of publishing the financial statements, the company is satisfied that it has carried out a detailed and considered analysis of the prospective impact across its business.

The company has experienced short-term delays being able to complete some capital works projects due to COVID-19 but these are timing-related only, rather than cancelled works and have been largely offset by increased work on the CycleHire projects that it undertakes as a subcontractor for its subsidiary Cubic Transportation Systems Ltd. For the 12 months from the reporting date, the company has not suffered a material loss of revenue, has not relied on any government backed COVID-19 relief schemes nor has it furloughed any employees. There have been no negative impacts on cashflow and it has no plans to reduce capacity. The company has not suffered any material terminations of its long-term service contracts.

Competitive risks

The nature of the industry is such that contracts are awarded through the process of competitive tender, which is inherently risky. However, the Company considers that its exposure to competitive risk is low due to the strength of its reputation in the Industry.

Liquidity risks

The Company's strategy to managing liquidity risk is to ensure that the Company has sufficient funds to meet all its actual and contingent liabilities as they fall due.

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

Key Performance Indicators

The Company monitors the development, performance and position of the business using key performance indicators relating to turnover and gross profit as a percentage of turnover.

Turnover represents a key performance indicator for the value of work completed and progress made within the financial period. Turnover for the period ended 30 September 2019 was £6,440,298 (2018: £6,818,734). During the last financial year, the Company's key client undertook a strategic review of its medium-term investment programs. This review resulted in a reduction of funds available for new capital investment projects for the 2018-2020 financial periods. As a result, the Company has reviewed its cost structure and taken measures to scale internal resources and associated costs to external demand. These cost reductions are expected to offset the adverse financial impact of the anticipated reduction in revenue associated with future capital work.

On behalf of the board

DocuSigned by:

David Wear

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D Wear

Director

29 September 2020

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER 2019

The directors present their annual report and financial statements for the year ended 30 September 2019.

Results and dividends

The results for the period are set out on page 7.

The loss for the period after taxation amounted to £468,702 (2018: profit £23,213,144).

Dividends of £Nil were paid in the year (2018: £18,700,000) and the directors do not recommend a final dividend (2018: £Nil).

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

R Crow	(Resigned 7 February 2019)
D Wear	
M Cole	(Resigned 13 January 2020)
J Edwards	(Resigned 14 October 2019)
A Aga	
L Eskenazi	(Appointed 7 February 2019)
H Hageman	(Appointed 14 October 2019)

Post reporting date events

On 11 March 2020, the World Health Organization raised the public health emergency situation caused by the outbreak of COVID-19 to an international pandemic. The rapid evolution of events, nationally and internationally, represents an unprecedented health crisis, which will impact the macroeconomic environment and the evolution of business. As of the date of these financial statements the company has been able to demonstrate that it is able to operate effectively under the current COVID-19 restrictions.

Auditor

A resolution to reappoint Ernst & Young LLP as auditors has been passed at a Special Meeting on 26th August 2019 by the members of Cubic (UK) Limited's ultimate parent company, Cubic Corporation.

Statement of disclosure to auditor

Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2019

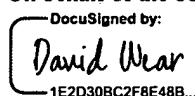
Going Concern

No material uncertainties that cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors. The company's business activities, together with any factors likely to affect its future development and position, are set out in the Review of the Business section above. The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company is also the holding company of Cubic Transportation Systems Limited. It is able to benefit from this position in the event that operational performance persists below expectations. The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern. Cubic Corporation, the ultimate parent company, will provide financial support for at least one year from the approval of the financial statements should the need arise.

The Directors have considered the impact of the COVID-19 crisis on the company's business operations and future prospects. The Facilities do not feature on the list of business premises which need to close and specific measures have been implemented to increase the workforce resilience, and to ensure adequate protection for our people. The business has been able to demonstrate that it is able to operate effectively under the current COVID-19 restrictions.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Cubic (UK) Limited, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

On behalf of the board

DocuSigned by:

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D Wear

Director

29 September 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

Opinion

We have audited the financial statements of Cubic Surface Transportation Systems Limited for the year ended 30 September 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of changes in Equity and the related notes 1 to 23, 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 (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'; 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.

Emphasis of matter – Effects of COVID-19

We draw attention to note 1.2 and 22 of the financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19 which is impacting consumer demand and personnel available for work and or being able to access offices. Our opinion is not modified in respect of this matter.

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 our 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 the 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 and the 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 Statement of Directors' Responsibilities, 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: <http://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

Stephney Dallmann (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

29 September 2020

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

		2019	2018
	Notes	£	£
Revenue	4	6,440,298	6,818,734
Cost of sales		(6,707,393)	(7,276,848)
Gross loss		(267,095)	(458,114)
Administrative expenses		(306,558)	(143,053)
Operating (loss)	5	(573,653)	(601,167)
Investment income	7	-	23,700,000
(Loss)/profit before taxation		(573,653)	23,098,833
Tax credit on profit	8	104,951	114,311
Total comprehensive income for the financial year	20	(468,702)	23,213,144

The income statement has been prepared on the basis that all operations are continuing operations.

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2019

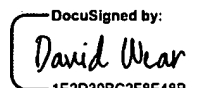
	Notes	2019 £	2018 £
Fixed assets			
Intangible assets - goodwill	10	2,056,178	2,056,178
Other intangible assets	10	-	46,901
		<u>2,056,178</u>	<u>2,103,079</u>
Current assets			
Inventories	13	488,633	616,723
Deferred tax asset	16	5,374	-
Trade and other receivables	14	13,790,663	10,440,411
Cash and cash equivalents		5,008	492,025
		<u>14,289,678</u>	<u>11,549,159</u>
Current liabilities			
Trade and other payables	15	12,197,435	7,890,575
Taxation and social security		55,908	1,195,844
		<u>12,253,343</u>	<u>9,086,419</u>
Net current assets		<u>2,036,335</u>	<u>2,462,740</u>
Total assets less current liabilities		<u>4,092,513</u>	<u>4,565,819</u>
Provisions for liabilities			
Deferred tax liabilities	16	-	4,604
Net assets		<u>4,092,513</u>	<u>4,561,215</u>
Equity			
Share capital	17	1,000	1,000
Retained earnings	20	4,091,513	4,560,215
Total equity		<u>4,092,513</u>	<u>4,561,215</u>

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 30 SEPTEMBER 2019

The financial statements were approved by the board of directors and authorised for issue on 29 September 2020 and are signed on its behalf by:

DocuSigned by:

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D Wear
Director

Company Registration No. 03162437

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Notes	Share capital £	Retained earnings £	Total £
Balance at 1 October 2017		1,000	47,071	48,071
Year ended 30 September 2018:				
Profit and total comprehensive income for the year		-	23,213,144	23,213,144
Dividends	9	-	(18,700,000)	(18,700,000)
Balances at 30 September 2018		1,000	4,560,215	4,561,215
Year ended 30 September 2019:				
Loss and total comprehensive income for the year		-	(468,702)	(468,702)
Balances at 30 September 2019		1,000	4,091,513	4,092,513

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

1 Accounting policies

Company information

Cubic Surface Transportation Systems Limited is a private company limited by shares incorporated in England and Wales. The registered office is AFC House, Honeycrook Lane, Salfords, Redhill, Surrey, RH1 5LA.

1.1 Accounting convention

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 financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The company adopted IFRS 15 Revenue from Contracts with Customers using a "modified retrospective" approach as effective from 1 October 2018. Where required, equivalent disclosures are given in the group accounts of Cubic Corporation. The group accounts of Cubic Corporation are available to the public and can be obtained as set out in note 23.

1.2 Going concern

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future and meet its liabilities as they fall due over the 12 months following the signing of the accounts. The company has net current assets of £2 million and net assets of £4.1 million. The company meets its day to day working capital requirements through its cash reserves and operational cash generation.

The Directors have considered the impact of the COVID-19 crisis on the company's business operations and future prospects. The facilities do not feature on the list of business premises which need to close and specific measures have been implemented to increase the workforce resilience, and to ensure adequate protection for our people. The business has been able to demonstrate that it is able to operate effectively under the current COVID-19 restrictions.

The company's financial forecasts, taking into consideration the current environment, show that the company is expected to remain profitable and generate positive cash flows giving the company the ability to continue to operate for the foreseeable future. The company is also the holding company of Cubic Transportation Systems Limited. It is able to benefit from this position in the event that operational performance persists below expectations. Cubic Corporation, the ultimate parent company, will provide financial support for at least one year from the approval of the financial statements should the need arise.

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

1 Accounting policies

(Continued)

In view of the circumstances referred to above, the directors are satisfied that the company will continue in operational existence for the foreseeable future. Accordingly, the directors of the company believe that it is appropriate to adopt the going concern basis in preparing the financial statements.

1.3 Revenue

For the financial years ending on or before 30 September 2018, turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and revenue can be reliably measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes and is recognised as set out below.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

The company adopted IFRS 15 *Revenue from Contracts with Customers*, effective 1 October 2018 using the modified retrospective transition method. In accordance with the modified retrospective transition method, the Income Statement for the year ended 30 September 2019 and the Statement of Financial Position as at 30 September 2019 are presented under IFRS 15. The Income Statement for the year ended 30 September 2018 and the Statement of Financial Position as at 30 September 2018 are presented under IAS 18 *Revenue* and IAS 11 *Construction Contracts*, which were the accounting standards in effect for periods ending prior to 1 October 2018. The cumulative effect of the change in accounting for periods prior to 1 October 2018 was recognised through retained earnings at the date of adoption.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Sales are classified as products or services in the Income Statement based on the attributes of the underlying contracts.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

We generate revenue from the sale of integrated solutions such as mass transit fare collection systems. A portion of our revenues are generated from long-term fixed-price contracts with customers that require us to design, develop, manufacture, modify, upgrade, test and integrate complex systems according to the customer's specifications. We also generate revenue from services we provide, such as the operation and maintenance of fare systems for mass transit customers. Our contracts are primarily with Transport for London and Train Operating Companies across the UK and Ireland.

We account for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

1 Accounting policies

(Continued)

To determine the proper revenue recognition method, we evaluate each contractual arrangement to identify all performance obligations. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. The majority of our contracts have a single performance obligation because the promise to transfer the individual good or service is not separately identifiable from other promises within the contract and is therefore, not distinct. These contractual arrangements either require the use of a highly specialised engineering, development and manufacturing process to provide goods according to customer specifications or represent a bundle of contracted goods and services that are integrated and together represent a combined output, which may include the delivery of multiple units.

Some of our contracts have multiple performance obligations, primarily (i) related to the provision of multiple goods or services or (ii) due to the contract covering multiple phases of the product lifecycle (for instance: development and engineering, production, maintenance and support). For contracts with more than one performance obligation, we allocate the transaction price to the performance obligations based upon their relative standalone selling prices. For such contracts we evaluate whether the stated selling prices for the products or services represent their standalone selling prices. In cases where a contract requires a customised good or service, our primary method used to estimate the standalone selling price is the expected cost plus a margin approach. In cases where we sell a standard product or service offering, the standalone selling price is based on an observable standalone selling price.

The majority of our sales are from performance obligations satisfied over time. Sales are recognised over time when control is continuously transferred to the customer during the contract or the contracted good does not have alternative use to us. Our contracts with our customers contain termination for convenience clauses, or we have a legally enforceable right to receive payment for costs incurred and a reasonable profit for products or services that do not have alternative uses to us.

For those contracts for which control transfers over time, revenue is recognised based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. For our design and build type contracts, we generally use the cost-to-cost measure of progress because it best depicts the transfer of control to the customer which occurs as we incur costs on our contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred. Contract costs include material, labour and subcontracting costs, as well as an allocation of indirect costs, and are generally expensed as incurred for these contracts.

Sales from performance obligations satisfied at a point in time are typically for standard goods and are recognised when the customer obtains control, which is generally upon delivery and acceptance. Costs of sales are recorded in the period in which revenue is recognised.

Sales under service contracts are generally recognised as services are performed or value is provided to our customers. We measure the delivery of value to our customers using a number of metrics including ridership, units of work performed, and costs incurred. We determine which metric represents the most meaningful measure of value delivery based on the nature of the underlying service activities required under each individual contract. In certain circumstances we recognise revenue based on the right to bill when such amounts correspond to the value being delivered in a billing cycle. Certain of our transportation systems service contracts contain service level penalties or bonuses, which we recognise in each period incurred or earned. These contract penalties or bonuses are generally incurred or earned on a monthly basis; however, certain contracts may be based on a quarterly or annual evaluation. Sales under service contracts that do not contain measurable units of work performed are recognised on a straight-line basis over the contractual service period, unless evidence suggests that the revenue is earned, or obligations fulfilled, in a different manner. Costs incurred under these service contracts are generally expensed as incurred.

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

1 Accounting policies

(Continued)

Due to the nature of the work required to be performed on many of our performance obligations, the estimation of total revenue and cost at completion is complex, subject to many variables and requires significant judgment. It is common for our long-term contracts to contain bonuses, penalties, transactional variable based fees, or other provisions that can either increase or decrease the transaction price. These variable amounts generally are incurred or earned upon certain performance metrics, program milestones, transactional based activities and other similar contractual events. We estimate variable consideration at the most likely amount to which we expect to be entitled. We include estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to us.

For fixed-price and cost-reimbursable contracts, we present revenues recognised in excess of billings as contract assets on the balance sheet. Amounts billed and due from our customers under both contract types are classified as receivables on the balance sheet.

Investment income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

This revenue is shown separately from turnover in the Income Statement.

1.4 Goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less impairment losses.

The gain on a bargain purchase is recognised in profit or loss in the period of the acquisition.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is subsequently reversed if, and only if, the reasons for the impairment loss have ceased to apply.

1.5 Intangible assets other than goodwill

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and method are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets relate to those acquired from Cubic Transportation Systems (ITMS) Limited as part of the business transfer and are customer relationships and backlog, agreements with the seller, intellectual property and non-compete agreements. They are being amortised using a combination of straight-line and accelerated methods based on the expected cash flows from the assets, over a weighted average useful life of two years from the date of acquisition.

Computer equipment

10% - 33% straight line

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

1 Accounting policies

(Continued)

1.6 Non-current investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

At each reporting end date, the company reviews the carrying amounts of its assets to determine whether there is any 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 (if any). Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

1.7 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1.9 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

1 Accounting policies

(Continued)

1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Loans and receivables

Trade Receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those classified at fair value through profit and loss (FVTPL), are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.12 Financial liabilities

The company recognizes financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

1 Accounting policies

(Continued)

1.13 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

1 Accounting policies

(Continued)

1.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the fair value of the assets at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, less any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

2 Adoption of new and revised standards and changes in accounting policies

In the current year, the following new and revised Standards and Interpretations have been adopted by the company and have an effect on the current period or a prior period or may have an effect on future periods:

IFRS 15 Revenue from Contracts with Customers took effect from 1 January 2018 and has been adopted for the year ended 30 September 2019 using the modified retrospective method. IFRS 15 outlines a comprehensive revenue recognition model and supersedes most current revenue recognition guidance. The new guidance will require revenue to be recognised when promised goods or services are transferred to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. Adoption of the new standard will affect the timing of revenue recognition for many of our sales transactions. The cumulative effect of applying IFRS 15 will be recognised as an adjustment to the opening retained earnings balance as of 1 October 2018.

In the current year, the following new and revised Standards and Interpretations have been issued but are not yet effective or adopted:

IFRS 16 Leases outlines new guidance in which lessees are required to recognise the following for all leases at the commencement date (with the exception of short-term leases):

- a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis
- b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term

IFRS 16 removes the distinction between operating and finance leases, meaning that the company will have higher lease liabilities, and correspondingly higher assets, on the statement of financial position. The expense relating to arrangements previously classified as operating leases will be a combination of finance costs on the newly recognised liability and the amortisation of the newly recognised asset.

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

2 Adoption of new and revised standards and changes in accounting policies

(Continued)

The company has chosen not to take the permitted early adoption of IFRS 16 in its financial statements for the year ended 30 September 2019. The company plans to adopt IFRS 16 from 1 October 2019. The company will adopt IFRS 16 using the modified retrospective approach, and therefore, without the restatement of any prior period comparative information presented in the financial statements. The company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17. The company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17.

3 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Key sources of estimation uncertainty

Goodwill impairment

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

4 Revenue

An analysis of the company's revenue is as follows:

	2019 £	2018 £
Sale of goods	2,085,359	1,424,893
Sale of services	4,354,939	5,393,841
	<u>6,440,298</u>	<u>6,818,734</u>

Geographical market

	Turnover 2019 £	2018 £
United Kingdom	<u>6,440,298</u>	<u>6,818,734</u>

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

5	Loss for the year	2019	2018
		£	£
	Loss for the year is stated after charging:		
	Fees payable to the company's auditors for the audit of the company's financial statements	20,000	20,000
	Depreciation of property, plant and equipment	-	1,117
	Amortisation of intangible assets	46,901	129,392
	Staff costs	3,107,847	3,359,817
		<u>3,107,847</u>	<u>3,359,817</u>

6 Employees

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

	2019	2018
	Number	Number
Direct	49	52
Indirect	11	17
Directors	5	5
	<u>65</u>	<u>74</u>

	2019	2018
	£	£
Wages and salaries	2,601,145	2,852,053
Social security costs	281,396	310,042
Pension costs	225,306	197,722
	<u>3,107,847</u>	<u>3,359,817</u>

The directors who held office during the year are remunerated by the subsidiary undertaking, Cubic Transportation Systems Limited, and as such no disclosure has been made in these financial statements.

7 Investment income

	2019	2018
	£	£
Income from fixed asset investments		
Income from shares in group undertakings	-	23,700,000
	<u>-</u>	<u>23,700,000</u>

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

8 Taxation

	2019 £	2018 £
Current income tax		
UK corporation tax	(97,963)	(115,024)
Adjustments in respect of prior periods	2,990	28,491
	<u>(94,973)</u>	<u>(86,533)</u>
Deferred tax		
Origination and reversal of temporary differences	(9,072)	1,796
Adjustment in respect of prior periods	(906)	(29,574)
	<u>(9,978)</u>	<u>(27,778)</u>
Tax (credit) for the period	<u>(104,951)</u>	<u>(114,311)</u>

The tax expense in the income statement for the year is equal to the effective rate of corporation tax in the UK of 19% (2018: 19%). There are no differences as shown below;

	2019 £	2018 £
(Loss)/profit before taxation	<u>(573,653)</u>	<u>23,098,833</u>
Tax (credit)/charge based on a corporation tax rate of 19% (2018: 19%)	(108,994)	4,388,778
Expenses not deductible in determining taxable profit	1,960	993
Adjustment in respect of prior years	2,083	(1,082)
Tax credit arising from dividend income	-	(4,503,000)
Tax (credit) for the period	<u>(104,951)</u>	<u>(114,311)</u>

Factors that may affect future tax charges

In the Spring 2020 Budget, it was announced that the main rate of corporation tax would remain at 19% (rather than reduce to the previously enacted rate of 17%, that was due to take effect from 1 April 2020). As the higher rate was not enacted by the balance sheet date, it has not been reflected in these financial statements in accordance with IAS 12. The increased rate is not expected to have a significant impact on the financial statements.

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

9	Dividends	2019 per share	2018 per share	2019 £	2018 £
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Amounts recognised as distributions to equity holders:

Ordinary

Dividend paid	-	18,700	-	18,700,000
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10 Intangible fixed assets

	Goodwill £	Other intangibles £	Total £
Cost			
At 30 September 2018	2,056,178	351,586	2,407,764
At 30 September 2019	2,056,178	351,586	2,407,764
Amortisation and impairment			
At 30 September 2018	-	304,685	304,685
Charge for the year	-	46,901	46,901
At 30 September 2019	-	351,586	351,586
Carrying amount			
At 30 September 2019	2,056,178	-	2,056,178
At 30 September 2018	2,056,178	46,901	2,103,079

The goodwill and other intangibles relate to those acquired from Cubic Transportation Systems (ITMS) Limited on 30 September 2016. The other intangibles relate to customer relationships and backlog, agreements with seller, intellectual property and non-compete agreements. The main balance relates to backlog and customer relationships which totals £295,000, which is being amortised using the sum of digits accelerated method, with nil years remaining.

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

11 Property, plant and equipment

	Computer equipment £
Cost	
At 30 September 2018	2,457
At 30 September 2019	2,457
Accumulated depreciation and impairment	
At 30 September 2018	2,457
At 30 September 2019	2,457
Carrying amount	
At 30 September 2019	-
At 30 September 2018	-

12 Subsidiaries

Details of the company's subsidiaries at 30 September 2019 are as follows:

Name of undertaking	Registered office	Ownership interest (%)	Voting power held (%)	Nature of business
Cubic Transportation Systems Limited	England and Wales	100	100	Transportation systems

13 Inventories

	2019 £	2018 £
Materials and spare parts	488,633	616,723

14 Trade and other receivables

	2019 £	2018 £
Trade receivables	2,807,630	668,442
Amounts due from contract customers	447,436	566,879
Other receivables	1,006	61,146
Amounts due from fellow group undertakings	10,401,326	9,065,645
Prepayments	133,265	78,299
	13,790,663	10,440,411

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

15 Trade and other payables

	2019 £	2018 £
Trade payables	526,861	764,716
Amounts due to contract customers	2,443,529	-
Amounts owed to fellow group undertakings	8,775,052	6,692,360
Accruals	420,238	392,801
Other payables	31,755	40,698
	<u>12,197,435</u>	<u>7,890,575</u>

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	ACAs £	Intangibles £	Retirement benefit obligations £	Total £
Deferred tax liability at 1 October 2017	(1,114)	33,496	-	32,382
Deferred tax movements in prior year				
Charge/(credit) to profit or loss	63	(24,584)	26,317	1,796
Other	(195)	-	(29,379)	(29,574)
Deferred tax liability at 1 October 2018	<u>(1,246)</u>	<u>8,912</u>	<u>(3,062)</u>	<u>4,604</u>
Deferred tax movements in current year				
Charge/(credit) to profit or loss	233	(8,912)	(393)	(9,072)
Other	(906)	-	-	(906)
Deferred tax asset at 30 September 2019	<u>(1,919)</u>	<u>-</u>	<u>(3,455)</u>	<u>(5,374)</u>

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019 £	2018 £
Deferred tax liabilities	-	4,604
Deferred tax assets	<u>(5,374)</u>	<u>-</u>
	<u>(5,374)</u>	<u>4,604</u>

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

17 Share capital	2019	2018
	£	£
Ordinary share capital		
<i>Issued and fully paid</i>		
1,000 Ordinary of £1 each	1,000	1,000

18 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £225,306 (2018 - £197,722).

19 Reserves

The nature and purpose of each of the reserves within shareholders' equity is explained below:

Profit and loss account - the cumulative gains and losses recognised in the statement of comprehensive income together with other items which are required to be taken direct to equity.

20 Retained earnings

	2019	2018
	£	£
At the beginning of the year	4,560,215	47,071
(Loss)/profit for the year	(468,702)	23,213,144
Dividends	-	(18,700,000)
At the end of the year	4,091,513	4,560,215

21 Operating lease commitments

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2019	2018
	£	£
Minimum lease payments under operating leases	404,968	438,375

CUBIC SURFACE TRANSPORTATION SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 SEPTEMBER 2019

21 Operating lease commitments

(Continued)

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 £	2018 £
Within one year	394,623	443,201
Between two and five years	893,194	1,048,833
In over five years	229,396	441,146
	<u>1,517,213</u>	<u>1,933,180</u>

22 Events after the reporting date

On 11 March 2020, the World Health Organization raised the public health emergency situation caused by the outbreak of COVID-19 to an international pandemic. The rapid evolution of events, nationally and internationally, represents an unprecedented health crisis, which will impact the macroeconomic environment and the evolution of business. As of the date of these financial statements the company has been able to demonstrate that it is able to operate effectively under the current COVID-19 restrictions.

23 Controlling party

The Company's immediate parent undertaking is Cubic (UK) Limited, a company incorporated in England and Wales. The Company's ultimate parent undertaking and controlling party is Cubic Corporation, which is a company incorporated in the United States of America.

Cubic Corporation is both the smallest and largest group in which the results of Cubic Surface Transportation Systems Limited are consolidated. Copies of the group financial statements of Cubic Corporation are available from AFC House, Honeycrock Lane, Salfords, Redhill, Surrey RH1 5LA.