

**Company Registration No. 8462831**

**Registered in England and Wales**

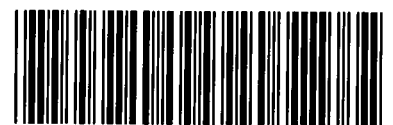
**ALSTOM TRANSPORT UK LIMITED**

**Report and Financial Statements**

**For the Year Ended**

**31 March 2018**

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**REPORT AND FINANCIAL STATEMENTS 2018**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

J M Brownsword      (resigned 9 May 2017)  
N P Crossfield  
S Evans  
M D L Hulme  
D A Johnston      (appointed 23 March 2018)  
S MacLeod  
J K Willcock  
P S R Wood

**SECRETARY**

M J C Heath      (appointed 26 February 2018)  
W J Payne      (resigned 15 December 2017)

**REGISTERED OFFICE**

8<sup>th</sup> Floor  
The Place  
High Holborn  
London  
WC1V 7AA

**AUDITORS**

Mazars LLP  
One St Peter's Square  
Manchester  
M2 3DE

**SOLICITORS**

Hogan Lovells  
Atlantic House  
Holborn Viaduct  
London  
EC1A 2FG

Pinsent Masons LLP  
30 Crown Place  
London  
EC2A 4ES

**STRATEGIC REPORT****Year ended 31 March 2018****TRADING RESULTS**

As shown in the Company's Statement of Comprehensive Income on page 16, sales for the year were £565.8m (2017: £598.4m). The income from operations, before charging restructuring and integration costs of £16.9m is a profit for the year of £57.7m (2017: £66.1m). Profit before taxation was £37.2m (2017: £62.4m).

Cash and cash equivalents increased from £56.4m to £124.8m. Employee benefit obligations reduced by £30.4m, largely as a result of actuarial gains, as set out in note 15. The Company's net assets increased from £241.0m at 31 March 2017 to £280.4m at 31 March 2018.

**OPERATIONS, KEY PERFORMANCE INDICATORS AND FUTURE PROSPECTS**

Alstom has a strategy to serve the rail transport market in the provision of turn-key systems, new equipment and lifetime services. Transport is very high on the UK political agenda and subject to continuous attention. Alstom is extremely well placed to benefit from a long-term programme of asset replacement, modernisation and upgrade in the markets that it serves. Alstom is recognised in the UK as a world leading technology provider and therefore is deeply engaged with all major stakeholders. The principal Key Performance Indicators used to assess the Company's activities are as follows:

	<b>Orders received £m</b>	<b>Sales £m</b>	<b>Income from operations (before restructuring &amp; integration costs) £m</b>
2018	371.5	565.8	57.7
2017	442.6	598.4	66.1
2016	195.2	407.0	55.8

The order book at the year end exceeded £1.6bn, and the directors see clear robust continued demand for the Company's products and services. Alstom continues to offer train maintenance and modernisation services to rolling stock leasing companies (ROSCO's) and train operating companies. At the same time, Alstom recognises the enormous growth opportunities in the rolling stock market in the UK. With the HS2 scheme progressing and a strong national network upgrade programme in place, there is a clear need for infrastructure, signalling and in particular new rolling stock across the spectrum from very high speed, through electric multiple units to metro over the coming years and Alstom is in a unique position to exploit all these requirements. The Company is well placed to leverage its strong position in all aspects of the rail market in the UK, and to make ready for this future growth.

The UK is seeing a substantial shift in policy, away from new rail electrification, and towards alternative modes of environmentally friendly traction on the railways. There have been repeated statements of support from the Government for hydrogen and related technologies to replace diesel trains. Alstom is a world leader in hydrogen rail technologies, with the first two iLint Coradia running on test in Germany already and the first order placed for 14 new hydrogen trains there. Alstom therefore believes that there is a significant opportunity to supply its hydrogen technology to the UK market soon.

The signalling and infrastructure market in which the Company operates is challenging, particularly as we reach the end of the current Network Rail Control Period and projects, as expected, are delayed into CP6. As such we are in the process of re-shaping the business in order to ensure that the business is positioned to capitalise on the opportunities presented by the new CP6 settlement from 2019.

**STRATEGIC REPORT****Year ended 31 March 2018****OPERATIONS, KEY PERFORMANCE INDICATORS AND FUTURE PROSPECTS (continued)**

We have continued to deliver on major projects including Bristol (the UK's single largest re-Signalling Commissioning), Crossrail West and Crossrail Anglia re-signalling and, although challenging, we continue to deliver on the main Crossrail Central Section Contracts through the ATC Joint Venture, a project which has seen significant value growth. We are prequalified and bidding for a large project to re-signal three deep tube lines as part of the London Underground Deep Tube Upgrade Programme. The Digital Railway programme is likely to create numerous opportunities for the Company as we move into Control Period 6 (2019 - 2024).

We have successfully prequalified for the HS2 rolling stock project, and we await the official ITT which is due to be released in April with a bid submission date of October 2018. Five bidders have been officially shortlisted. We are also bidding for the HS2 Lots 1 and 2 Infrastructure Packages and Lot 5 Train Control.

On the Fleet side the business has experienced a year of consolidation, and the Preston site will be vacated in July 2018, with a number of employees relocating to our new site in Widnes. The Widnes site was officially opened in June 2017 and has received a lot of attention and plaudits in the press. The Pendolino paint project started on time in Widnes and trains are now regularly being delivered.

Alstom continues to deliver its commitments on all of its projects. The Class 390 Pendolino maintenance contract is performing well, although focus is now turning to preparations for the West Coast Partnership franchise which is due to change hands in September 2019. Three Train Operating Companies have been shortlisted by the DfT. Competition is expected to be fierce, and each bidder is likely to have different strategies with respect to rolling stock and maintenance. We are in a strong position with respect to maintenance of the Pendolino fleet, and our goal is to remain as the long term maintainer of the Pendolinos, with a view to ensuring the long term continuity of this iconic fleet.

The Class 175/180 fleet projects remain stable and preparations for the arrival of the new rolling stock for the Caledonian Sleeper franchise and the new fleet for the Northern/TPE franchise are on time.

We have signed a contract on the Class 92 locomotives that are used to haul the Caledonian Sleeper fleet. This will bring additional work to our Wembley depot and also means that we are responsible for the maintenance of the complete Caledonian Sleeper trainset.

We have formed an exclusive relationship with Stagecoach Plc to bid for the South Eastern franchise, which if successful will mean that Alstom will supply nearly 750 X'Trapolis EMU cars. This is a particularly innovative approach to franchise bidding where an OEM and a Train Operating Company have tied up at such an early stage. The announcement on the franchise winner should be by the end of December 2018.

On the Urban side the business has seen a solid year in terms of operational performance and a continuation of the bidding activity for future opportunities.

From a Metro perspective, operational performance has remained good throughout the year and the relationship with Tube Lines remains strong with continuation of collaborative working. The Northern Line contract entered its secondary phase in September 2017 and we look forward to the next 10 years of collaboration as we deliver the trains for daily service.

The New Tube for London opportunity is now called 'Deep Tube Upgrade Programme' and following the issue of the bid addendum we have submitted revised technical and commercial proposals during 2017. Announcement of the preferred bidder is now expected in May 2018. This is a huge opportunity for a new generation of metro trains.

**STRATEGIC REPORT**

**Year ended 31 March 2018**

**OPERATIONS, KEY PERFORMANCE INDICATORS AND FUTURE PROSPECTS (continued)**

We were disappointed that London Underground cancelled the JNAT opportunity in 2017 but are working with them on alternative solutions to provide additional trains for service from the existing fleet. Collaborative LU-Alstom workstreams are exploring ways to bolster fleet resilience to secure further trains for service.

We have secured the order for the complicated overhaul programme for power modules on the Piccadilly Line fleet, and we are now looking at the technical implications for a similar programme for the Bakerloo Line, which we anticipate bidding for shortly.

Nottingham Tram phase 2 completed its commissioning and warranty programme in August 2017 and we now look forward to the remaining 16 years of operation. The team are focussed on continuous improvements to the reliability of both tram fleets, and planning is also underway for the Incentro fleet mid-life overhaul, which will start in 2018.

**STRATEGIC REPORT****Year ended 31 March 2018****PRINCIPAL RISKS AND UNCERTAINTIES****Market Environment**

Long-term evolution of the Company's markets is driven by a variety of complex and inter-related external factors, such as economic growth, political stability and public policies in particular on public transportation.

In addition, the Company faces the evolution of customers' demand due to the specificity of their markets, as well as strong competition, both from large historical international competitors as well as new ones.

The Company believes it competes effectively in its markets. It considers that its strong order backlog as well as all the measures it has taken, in particular for reducing costs and adapting headcount to demand, should enable it to face the current competition.

**Contract Execution**

The Company's business includes major long-term contracts, often executed in consortium. The revenue, cash flow and profitability of a long-term project can vary significantly in accordance with the progress of that project and depend on a variety of factors, which can be either within the Company's control, or influenced by external stakeholders including our customers, suppliers, subcontractors or consortium partners. Profit margins realised on certain of the Company's contracts may vary from their original estimates as a result of changes in costs and productivity over their term. As a result of this variability, the profitability of certain contracts may significantly impact income and cash flows in any given period.

The Company has established strict risk control procedures which are applied from tendering to contract execution, and the reported results take into account the expected outcomes from this risk assessment process.

**Pension plans**

The Company participated in three defined benefit pension schemes during the year. The Company is committed to providing cash to cover differences between the market value of the plan's assets and required levels for such schemes over a defined period. The projected benefit obligations are based on certain actuarial assumptions, including, in particular, discount rates, rates of increase in compensation levels and rates of mortality. If actual results, in particular actual performance of plans assets, were to materially differ from these assumptions the funded status of the Company's plans may be significantly higher or lower. Further details on the methodology used to assess pension assets and liabilities together with the annual pension costs are included in note 15 to the financial statements.

Further Group risks are discussed in the Group's Annual Report which does not form part of this report.

**STRATEGIC REPORT****Year ended 31 March 2018****ENVIRONMENT, HEALTH & SAFETY ("EHS")**

The Alstom Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with Group policies. Eco design is now included in these policies. There are various initiatives designed to minimise the Company's impact on the environment. In December 2017, Alstom's UK&I Environment Management System was accredited to the new ISO14001:2015 Standard. The Company recognises the importance and implications of the Health & Safety at Work Act 1974, the Environmental Protection Legislation, and all new Health & Safety legislation, including that being promulgated through EU Directives. The Company operates a series of Health & Safety risk management programmes to ensure compliance throughout the Company with the increasing complexities of Health & Safety legislation and to reduce the incidence of hazardous circumstances that might affect the health and safety of employees. During 2017/2018, Alstom has established a Health and Wellbeing team. The team is in the process of implementing a Health and Wellbeing Strategy that not only meets legislation needs but also adopts UK wide 'best practice'.

In June 2012, Alstom introduced the Group wide Zero Deviation Plan (AZDP) which had a positive and significant impact on health and safety performance. This can be demonstrated by reference to Alstom's principal Health and Safety indicator which measures Lost Time Accidents per million hours worked; and shows a steady reduction since 2012. The Lost Time Accident rate was ahead of Alstom's European target for 2017/2018 (Actual = 0.6 v a Target of 1.3). Two new Directives were issued in July 2013 supported by a phase 2 & 3 audit programme which continues to provide the focus required to drive improvement in all of our UK business units.

Ensuring the workforce is competent to undertake our varied work activities is of primary importance and this year, the health & safety curriculum was revised to ensure managers at all levels of the organisation were provided with the skills and competencies required. Training included the Alstom Safety Leadership Programme based on best practice behavioural safety techniques, as well as the Alstom International Environment, Health & Safety Passport which along with other e-learning based training, ensures health and safety is considered in everything we do. The Company's insurers also take a keen interest in these programmes, and provide valuable advice about their operation and development. The Company also completes regular reviews with insurers to identify improvement opportunities.

EHS issues are also addressed by the implementation of regular audits at UK locations by internal auditors as part of programmes such as AZDP and the Alstom Environment, Health and Safety Roadmap, by external auditors as part of RISQS (Railway Industry Supplier Qualification Scheme), ISO9001, ISO14001 and OHSAS18001 certification and by customers (such as the Network Rail 'Principal Licence' certification) and other organisations as part of the tender and pre-qualification process.

In the UK, Alstom has organised a series of events focusing on EHS issues. Each of these events has been greatly appreciated by employees, and encouraging feedback has been received. These events are part of the overall Corporate and Social Responsibility (CSR) Programme that Alstom operates globally and in which the Company plays a leading role. There are also targeted programmes led by working groups in key locations.

Alstom maintained the CEMARS (Certified Emissions Measurement and Reduction Scheme) accreditation administered by Achilles, in recognition of its commitment to measure, manage and reduce its greenhouse gas emissions whilst striving to operate in a carbon friendly way. Alstom is fully committed to an agreed carbon reduction plan and during 2017/2018 we achieved Alstom's corporate target to reduce carbon consumption by 10% from a 2014 base line. To move beyond this target, our major UK sites have been surveyed by the Carbon Trust and improvement plans for further reductions developed. This is aligned to the government's energy reduction strategy and the Energy Savings Opportunity Scheme which Alstom is currently implementing.



**STRATEGIC REPORT****Year ended 31 March 2018****EMPLOYEES**

Details of the number of employees and related costs can be found in note 18 to the financial statements.

In the preceding twelve months, the Company has looked to flex its business plans and strategy to address a dynamic market and increased competition and this resulted in the launch of an exercise in September 2017 to rightsize the business in the UK. This programme will be complete in the first half of the year. This reduction is being achieved through natural wastage, recruitment control measures and redundancy programmes.

The Company is committed and continues to invest in its people by concerted efforts to attract and retain the best talent. This is through enhancing our reputation as an employer of choice and the development of existing employees.

Our workforce combines highly skilled and experienced engineers and recruits who represent the next generation of experts. Alstom in the UK is committed to the development of engineering and project management skills, and through our STEM (Science, Technology, Engineering & Mathematics) ambassadors, has created strong partnerships with schools and further education colleges, supporting science and technology curriculums to promote engineering as an exciting career path, with over 2000 hours spent supporting this initiative.

Our graduate and apprentice programmes, are part of a talent pipeline designed to bring trained, motivated and qualified people into our ranks each year. Many of this cohort of talented engineers commit to continued professional development and Chartership through our links with institutions such as the IET, ICE and IMechE, to name a few.

The Company ensures participation and contribution to appropriate learning organisations and lead bodies such as the National Skills Academy for Rail and City & Guilds. This ensures we focus on the provision of coherent competence standards across our activities and facilitates the development of common approaches to identifying skills requirements and the level of training required.

The aim is to use the examples of best practice to develop standardised competence management systems across the UK. These have been recognised by the RSSB (Railway Safety Standards Board) and through our quality assurance audits such as ISO9001.

Investment in training and development activities continues with advances being made in digital technology and virtual learning. The company has invested heavily in e-learning platforms and technology providing a wide variety of learning and development opportunities, that employees can access anytime, anywhere. Particular emphasis has been placed on Safety, Leadership & Management Development and Equality & Diversity to ensure we have inclusive, fair and inspired leaders at all levels in the organisation.

Further investment continues to be undertaken in the area of "ethics" and ethical behaviour. Our Code of Ethics and Compliance policies are mandatory for all UK employees and we have trained a number of "Ethics and Compliance Ambassadors" who act as advisors to employees, and guardians of the Code. Any potential breach of these policies, however minor, is promptly investigated.

"Diversity" in all its forms represents a high priority and also an opportunity for competitive advantage for Alstom. We have a proud record of hiring talent from all over the world, and are making even more substantive efforts to improve the attractiveness of our business to talented women engineers and technicians. In particular, we are addressing the Gender

**STRATEGIC REPORT****Year ended 31 March 2018****EMPLOYEES (continued)**

pay gap and have an internal target of 25% women in managerial, professional and engineering positions by 2020, which will do much to inspire tomorrow's women in our workforce. We have joined "Working Forward", an initiative to address issues affecting women who are pregnant or those returning from maternity leave to maximise their potential and benefit to the business.

We are members of "Disability Confident", creating opportunities for disabled people and creating the right environment for disabled employees in Alstom (currently 8.5% of our workforce).

A "Women in Alstom" network has been established, and the Senior Management Team have received training from experts on encouraging and managing diversity in the workplace, prior to further training being cascaded throughout the organisation over the coming months in line with our Diversity & Inclusion action plan and policies and procedures. The Company has taken actions following its Equality & Diversity audit in 2017, with revised and up to date policies and strategy, which includes the training and implementation of Diversity & Equality Ambassadors and the establishment of a Female Focus Group specifically aimed at increasing and improving female experience and participation both in the workplace and the industry in general.

Employee relations remain positive, and consultation and information-sharing channels with our trade union and other employee representatives are formalised and strong.

**CORPORATE SOCIAL RESPONSIBILITY**

Alstom's vision is "to be the preferred partner for sustainable transport solutions that enable our growing population to reach their destination efficiently, whilst enhancing our communities and environment". In order to achieve this vision, we will balance community, economic and environmental aspects through the development and implementation of a Sustainability Strategy which has ten Focus Areas centred on our global four pillar Sustainability and CSR Policy: i) to act as a stakeholder-oriented organisation; ii) to develop solutions for sustainable mobility; iii) to manage our operations in a responsible way; iv) to build a culture of diversity and integrity. The Focus Areas are those sustainability aspects of most relevance to our activities and where we face the greatest opportunities and highest risks. Within each focus area, we have set a suite of ambitious objectives for achievement by 2020 with agreed annual targets in order to monitor and report on progress whilst continually reviewing and improving our processes and ways of working. Targets are divided into 'corporate' and 'hub' to clearly differentiate where individuals can contribute towards the sustainability strategy from their sites.

A central Sustainability Steering Committee meets regularly to review progress and make decisions for implementing and monitoring sustainability at a UK level. Each site has a dedicated sustainability Site Coordinator who reports through to one of our two regional Hub Coordinators, who in turn report into the committee.

In response to a scarcity of skilled resources within the transport sector, one of our objectives is to increase the quantity, quality and diversity of the Science, Technology, Engineering and Maths (STEM) talent pool for the rail industry by promoting the real-life application of the subjects to young people. In order to achieve this objective, our senior leaders have agreed to allow employees time during working hours to inspire the next generation of technical individuals into the rail industry through STEM activity involvement. An example of our STEM engagement activities include our 3 year partnership with Ark Elvin Academy, Wembley, including several volunteers across a range of functions offering skills and speed networking sessions, attending career events and organising site visits to our engineering facilities. We are quantifying the benefits of our interventions including number of STEM Ambassadors, number of STEM activities, hours invested and demographics of beneficiaries. By measuring the value added, we aim to continually improve Alstom's STEM offering to inspire more young people into rail. Our STEM strategy is reinforced by the partnerships we have created with major organisations like Engineering UK, Young Rail Professionals, STEM learning and BITC. These organisations are supporting us in the definition and the implementation of our STEM programme locally.

**STRATEGIC REPORT**

**Year ended 31 March 2018**

**CORPORATE SOCIAL RESPONSIBILITY (continued)**

We want to encourage our employees to actively invest in our local communities so have introduced one paid volunteer day per year for each of our employees to undertake an activity that is meaningful to them, individually or as a team building exercise. For instance, volunteers from Manchester Traincare Centre have been clearing overgrowth and debris from the Humphrey Booth Resource Centre in Swinton, a not-for-profit organisation that supports people with dementia and their carers living in Salford.

The development of an organisational approach to employee health and wellbeing has the full commitment of the Board. Employee health and wellbeing has a significant impact on the Company's productivity, its ability to recruit and retain employees and its reputation as an employer of choice. The Health and Wellbeing Strategy is being developed with the support of employee representatives and senior managers and aims to provide a framework which will set out corporate priorities and key actions to promote the health and wellbeing of the workforce. The strategy will focus on four pillars: Better Work; Better Relationships; Better Support and Better Physical & Psychological Health.

In addition, our employees have held multiple fundraising events throughout the year for charities of their choice, with more than £30,000 raised throughout the year. To encourage and support fundraising activities, we have introduced a Match Fundraising policy: effective since November, Alstom is matching charitable fundraising up to a value of £100 per Alstom employee per financial year. The donation funds are administered by the Charities Trust.

We are also proud to have secured a second year of funding for a partnership with Social Mobility Foundation (SMF) in the UK, thanks to the Alstom Foundation. The objective is to provide funding towards the opening of a SMF office in Liverpool, which opened in January 2018, to address the issues faced by disadvantaged bright young people in entering the country's elite universities and graduate entry professions.

We are a proud supporter of the British Armed Forces, having signed the Armed Forces Covenant in 2016, and actively recruit from all three Services for roles throughout our operations. We were awarded Silver level of the Defence Employer Recognition Scheme as a result of the support we give to employees who are active and previous members of the British Reserve Armed Forces and their families. We provide opportunities for both able-bodied and personnel with disabilities to come and try out roles within the rail industry as part of their resettlement which, in some cases, has resulted in a full-time job when the individual left the service.

Approved by the Board of Directors  
and signed on behalf of the Board

A handwritten signature in black ink, reading 'N. P. Crossfield', with a horizontal line underneath.

N P Crossfield  
Director

24 April 2018

**DIRECTORS' REPORT****Year ended 31 March 2018**

The Directors present their report and the financial statements for the year ended 31 March 2018.

**PRINCIPAL ACTIVITIES**

The Company is a wholly owned subsidiary of ALSTOM and operates as part of the Group's United Kingdom operations. The principal activity of the Company during the year was electrical and mechanical engineering for the rail transport market.

**DIVIDEND**

The Company paid dividends of £21m in respect of its ordinary shares during the year (2017: £40.2m).

**FUTURE DEVELOPMENTS**

The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

**EMPLOYEE INVOLVEMENT AND EMPLOYMENT OF DISABLED PERSONS**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The Company participates in the Group's policies and practices to keep employees informed on matters relevant to them as employees through the European Works forum, regular meetings and newsletters. Employee representatives are consulted regularly on a wide range of matters affecting their interests.

**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company has established a risk and financial management framework whose primary objectives are to protect the Company from events that hinder the achievement of the Company's performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

Credit risk is managed by, where possible, agreeing payment terms that include advance and progress payments. Appropriate credit control procedures are followed at all operations where credit risk is perceived. Where credit risk is considered to be high, contracts must provide for payments to be secured by irrevocable letter of credit, payment before despatch or credit insurance.

The Company's transactions are predominantly in Sterling but some transactions (sales and purchases) are in other currencies and the Company is therefore exposed to the movement in foreign exchange rates. The Group's treasury function takes out currency contracts on behalf of ALSTOM operating companies to manage these risks.

The Company is effectively financed by either loans or equity from ALSTOM and has no third party debt. It therefore has little interest rate exposure.

**DIRECTORS' REPORT**

**Year ended 31 March 2018**

**DIRECTORS**

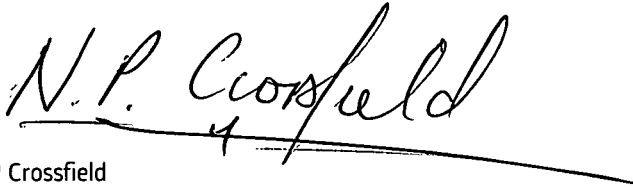
The Directors who held office during the year and subsequently are noted on page 1.

During the year the Company has maintained the grant of an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' report.

**AUDITORS**

The Directors believe that they have taken reasonable steps in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. Further, they believe that they have taken appropriate steps to ensure that there is no relevant audit information of which the Company's auditors are unaware. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors  
and signed on behalf of the Board

A handwritten signature in black ink, reading 'N. P. Crossfield', with a horizontal line drawn underneath it.

N P Crossfield  
Director

24 April 2018

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Strategic Report, Directors' 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 Financial Reporting Standard 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 of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Independent auditor's report to the members of ALSTOM Transport UK Limited****Opinion**

We have audited the financial statements of ALSTOM Transport UK Ltd (the 'company') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. 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.

**Use of the audit 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.

**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 directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In 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 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 specific by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

**Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement set out on page 12, 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 [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



Timothy Hudson (Senior Statutory Auditor)  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
Mazars LLP, One St Peter's Square, Manchester, M2 3DE

27 April 2018.

**STATEMENT OF COMPREHENSIVE INCOME**  
**Year ended 31 March 2018**

		<b>31 March 2018 £m</b>	<b>31 March 2017 £m</b>
<b>TURNOVER</b>	<b>Note</b>		
Cost of sales	3	<b>565.8</b> (469.8)	<b>598.4</b> (495.2)
<b>Gross profit</b>		<b>96.0</b>	<b>103.2</b>
Selling expenses		(10.1)	(10.5)
Administrative expenses		(28.2)	(26.6)
<b>INCOME FROM OPERATIONS BEFORE RESTRUCTURING AND INTEGRATION COSTS</b>		<b>57.7</b>	<b>66.1</b>
Restructuring and business integration costs		(16.9)	(1.1)
<b>INCOME FROM OPERATIONS</b>		<b>40.8</b>	<b>65.0</b>
Interest receivable		0.2	0.2
Interest payable and similar charges	5	(0.2)	(0.3)
Other finance costs	5, 15	(3.6)	(2.5)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>		<b>37.2</b>	<b>62.4</b>
Income tax expense	6	(11.0)	(9.8)
<b>NET PROFIT FROM CONTINUING OPERATIONS</b>		<b>26.2</b>	<b>52.6</b>
<b>Other comprehensive income : items that will not be reclassified to profit and loss</b>			
Actuarial gains/(losses) recognised in pension schemes	15	40.1	(33.1)
UK deferred tax attributable to actuarial gain/(loss)	6	(6.8)	5.2
<b>Other comprehensive income</b>		<b>33.3</b>	<b>(27.9)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>59.5</b>	<b>24.7</b>

**STATEMENT OF FINANCIAL POSITION**  
**31 March 2018**

		At 31 March 2018 £m	At 31 March 2017 £m
	Note		
<b>FIXED ASSETS</b>			
Intangible assets	7	8.0	8.3
Tangible assets	8	23.9	21.4
		<b>31.9</b>	<b>29.7</b>
<b>CURRENT ASSETS</b>			
Deferred tax assets			
-amounts falling due within one year	6	3.6	3.9
-amounts falling due after one year	6	15.2	23.1
Other operating assets			
-amounts falling due within one year	12	19.5	19.7
-amounts falling due after one year	12	8.3	11.1
Inventories	9	63.1	63.6
Construction contracts in progress – assets	10	162.4	188.1
Trade receivables	11	20.9	36.5
Cash and cash equivalents		124.8	56.4
		<b>417.8</b>	<b>402.4</b>
<b>CREDITORS: Amounts falling due within one year</b>			
Construction contracts in progress – liabilities	10	19.7	26.6
Obligations under finance leases	16	0.1	0.2
Trade payables		33.0	29.7
Other current operating liabilities	17	51.3	44.5
		<b>104.1</b>	<b>101.0</b>
<b>NET CURRENT ASSETS</b>		<b>313.7</b>	<b>301.4</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>345.6</b>	<b>331.1</b>
<b>CREDITORS: Amounts falling due after more than one year</b>			
Obligations under finance leases	16	-	0.1
Provisions for liabilities	14	10.4	4.8
Employee benefit obligations	15	54.8	85.2
<b>NET ASSETS</b>		<b>280.4</b>	<b>241.0</b>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	220.0	220.0
Retained earnings		60.4	21.0
<b>TOTAL EQUITY</b>		<b>280.4</b>	<b>241.0</b>

These financial statements were approved by the Board of Directors and issued to the shareholders on the date shown below. They are signed on behalf of the Board of Directors:



S MacLeod (Director) 24 April 2018

**STATEMENT OF CHANGES IN EQUITY**  
**31 March 2018**

	Share capital £	Retained Earnings £	Total £m
<b>At 1 April 2016</b>	<b>220.0</b>	<b>36.2</b>	<b>256.2</b>
Profit for the year	-	52.6	52.6
Other comprehensive income for the year	-	(27.9)	(27.9)
Dividends paid	-	(40.2)	(40.2)
Recognition of equity-settled share-based payments	-	0.3	0.3
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	(15.2)	(15.2)
	<hr/>	<hr/>	<hr/>
<b>At 1 April 2017</b>	<b>220.0</b>	<b>21.0</b>	<b>241.0</b>
Profit for the year	-	26.2	26.2
Other comprehensive income for the year	-	33.3	33.3
Dividends paid	-	(21.0)	(21.0)
Recognition of equity-settled share-based payments	-	0.9	0.9
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	39.4	39.4
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2018</b>	<b>220.0</b>	<b>60.4</b>	<b>280.4</b>
	<hr/>	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 March 2018****1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101**

The financial statements for the year ended 31 March 2018 were authorised for issue by the board of directors as indicated on page 18. ALSTOM Transport UK Limited is a private limited company incorporated and domiciled in England & Wales. The principal activities of the Company are set out in the Directors' Report. Information on its ultimate parent is presented in note 22.

The Company's financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006. The recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (EU-adopted IFRS) have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and the Large and Medium sized Companies and Groups Regulations 2008/410 ('Regulations').

The financial statements have been prepared on an historical cost basis, except for derivative financial instruments and foreign currency contracts designated as hedged items that have been measured at fair value. They are presented in Sterling and all values are rounded to the nearest million (£m), except when otherwise stated.

**Going concern**

The financial statements have been prepared on a going concern basis. The Directors have reviewed cash flow forecasts for a period of at least twelve months from the date of approval of the financial statements. On this basis, the Directors consider that the Company has adequate funds to meet its liabilities for a period of at least twelve months from the date of approval of the financial statements.

**2. ACCOUNTING POLICIES****Basis of preparation**

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2018. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of paragraphs 45(b) and 46-52 of IFRS2 *Shared based Payment*;
- (b) the requirements of IFRS7 *Financial Instruments: Disclosures*;
- (c) the requirements of paragraphs 91-99 of IFRS13 *Fair Value Measurement*;
- (d) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements*;
- (e) the requirements of IAS7 *Statement of Cash Flows*;
- (f) the requirements of paragraphs 30 and 31 of IAS8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- (g) the requirements of paragraph 17 of IAS24 *Related Party Disclosures*; and
- (h) the requirements in IAS24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that the subsidiary which is a party to the transaction is wholly owned by such a member.

**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 March 2018****2. ACCOUNTING POLICIES (continued)****New standards and interpretations mandatorily applicable for financial periods beginning on 1 April 2017**

The following amendments are applicable at 1 April 2017:

- IAS 12 *Income Taxes*: Amendment in relation to the recognition of deferred tax assets for unrealised losses
- Annual Improvements to IFRSs (2014 - 2016): Clarification of the scope of IFRS 12 *Disclosure of Interests in Other Entities*

The adoption of the standards and interpretations above has not had a material impact on the Company's financial statements.

**Use of estimates**

The preparation of the financial statements requires management to make estimates and to use assumptions that could affect the value of the Company's assets, liabilities, equity, net income and contingent assets and liabilities at the closing date. Management reviews estimates on an ongoing basis using currently available information. Changes in facts and circumstances may result in actual financial consequences different from the estimates.

The accounting policies most affected by the use of estimates are the following:

*Revenue and margin recognition on construction and long-term service contracts and related provisions*

The Company recognises revenue and gross margin on construction and long-term service contracts under the percentage of completion method based on milestones; in addition, when a project review indicates a negative gross margin, the loss related to work not yet performed is immediately recognised.

Recognised revenue and margin are based on estimates of total expected contract revenue and cost, which are subject to revisions as the contract progresses. Total expected revenue and cost on a contract reflect management's current best estimate of the probable future benefits and obligations associated with the contract. Assumptions to calculate present and future obligations take into account current technology as well as the commercial and contractual positions, assessed on a contract-by-contract basis. The introduction of technologically advanced products exposes the Company to risks of product failure significantly beyond the terms of standard contractual warranties applying to suppliers of equipment only.

Obligations on contracts may result in penalties due to late completion of contractual milestones, or unanticipated costs due to project modifications, suppliers or subcontractors' failure to perform or delays caused by unexpected conditions or events. Warranty obligations are affected by product failure rates, material usage and service delivery costs incurred in correcting failures.

Although the Company makes individual assessments on contracts, there is a risk that actual costs related to those obligations may exceed the initial estimates. Estimates of contract costs and revenues at completion in the case of contracts in progress and estimates of provisions in the case of completed contracts may then have to be re-assessed.

**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 March 2018****2. ACCOUNTING POLICIES (continued)****Use of estimates (continued)***Taxation*

The Company can at times be subject to audit by tax authorities. Where these arise the Company considers each issue on its merits and, where appropriate, holds provisions in respect of the Directors' best estimate of the potential tax liability that may arise. However, the amount ultimately paid may differ materially from the amount provided and could therefore affect the Company's overall profitability and cash flows in future periods.

Management judgment is required to determine the extent to which deferred tax assets can be recognised. Future sources of taxable income are taken into account in making this determination. This assessment takes into account past, current and future performance derived from the existing contracts in the order book and the budget. The carrying amount for deferred tax assets is included in note 6 to the financial statements.

*Measurement of post-employment defined employee benefits*

The measurement of obligations and assets related to defined benefit plans makes it necessary to use several statistical and other factors that attempt to anticipate future events. These factors include assumptions about the discount rate, the expected return on plan assets, the rate of future compensation increases as well as withdrawal and mortality rates. If actuarial assumptions materially differ from actual results, it could result in a significant change in the employee benefit expense recognised in the income statement, actuarial gains and losses recognised in other comprehensive income and accrued benefits. The carrying amount for post-employment defined employee benefits liability is included in note 15 to the financial statements.

**Significant accounting policies****Revenue recognition**

The amount of revenue arising from a transaction is usually determined by the contractual agreement with the customer. In the case of construction contracts and long-term service agreements, claims are considered in the determination of contract revenue only when it is highly probable that the claim will result in additional revenue and the amount can be reliably assessed. Penalties are taken into account in reduction of contract revenue as soon as they are probable. Turnover is shown net of VAT.

Revenue on the sale of manufactured products and service contracts which are of less than one year in duration is recognised when the significant risks and rewards of ownership are transferred to the customer, which generally occurs on delivery and performance of service activities. Revenue on construction contracts and long term service agreements is recognised on the percentage of completion method: the stage of completion is assessed by milestones which indicate the completion of the proportion of the contract work or services prescribed by the agreement. The excess of revenue measured at percentage of completion over the revenue recognised in prior periods is the revenue for the period. Cost of sales on construction contracts and long-term service agreements is computed on the same basis.

Warranty costs are estimated on the basis of contractual agreement, available statistical data and weighting of all possible outcomes against their associated probabilities. Warranty periods may extend up to five years.

When the outcome of a contract cannot be estimated reliably but the contract overall is expected to be profitable, revenue is still recognised based on milestones, but margin at completion is adjusted to nil. When it is probable that contract costs at completion will exceed total contract revenue, the expected loss is recognised immediately as an expense.

With respect to construction contracts and long-term service agreements, the aggregate amount of costs incurred to date plus recognised margin less progress billings is determined on a contract by contract basis. If the amount is positive, it is included as an asset designated as "Construction contracts in progress – assets". If the amount is negative, it is included as a liability designated as "Construction contracts in progress – liabilities", along with down payments received from customers.

## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2018

#### 2. ACCOUNTING POLICIES (continued)

##### Joint arrangements

The Company is engaged in rail infrastructure and electrification contracts through unincorporated joint arrangements; these are classified as joint operations in accordance with IFRS 11. The Company accounts for its share of the jointly controlled revenues and expenses, and assets and liabilities of these joint operations.

##### Business combinations

On the acquisition of a business, other than by means of a group transfer of assets and liabilities at their book value, fair values are attributed to the Company's share of net separable assets and liabilities. Goodwill arising from a business combination is measured as the difference between:

- the fair value of the consideration transferred for an acquiree plus the amount of any non-controlling interests of the acquiree and;
- the net fair value of the identifiable assets acquired and liabilities assumed at the acquisition date.

Acquisition-related costs are recorded as an expense as incurred.

Initial estimates of consideration transferred and fair values of assets acquired and liabilities assumed are finalised within twelve months after the date of acquisition and any adjustments are accounted for as retrospective adjustments to goodwill. Beyond this twelve-month period, any adjustment is directly recognised in the income statement.

##### Goodwill

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS3 'Business Combinations', goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The Company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

The impairment test methodology is based on a comparison between the recoverable amount of an asset and its net carrying value. A cash-generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets. If an asset does not generate cash inflows that are largely independent of other assets or groups of assets, the recoverable amount is determined for a cash-generating unit. The recoverable amount is the higher of fair value less costs to sell and value in use. The value in use is elected as representative of the recoverable value.

The valuation performed is based upon the Company's internal business plan and cash flows thereafter are estimated using a perpetual long-term growth rate for the subsequent years. The recoverable amount is the sum of the discounted cash flows. Discount rates are determined using weighted-average cost of capital.

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognised immediately in the income statement.



## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2018

#### 2. ACCOUNTING POLICIES (continued)

##### Intangible assets

Intangible assets include acquired intangible assets (such as customer relationships, order books, technology and licensing arrangements) and internally generated intangible assets (mainly development costs).

##### *Acquired intangible assets*

Acquired intangible assets are initially recorded at cost and amortised on a straight-line basis over their estimated useful lives. Useful lives can extend to fifteen years due to the long-term nature of the underlying contracts and activities. The amortisation expense of assets acquired is recorded in cost of sales, research and development expenditure, selling expenses or administrative expenses, based on the function of the underlying assets. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable, by applying the same methodology as for goodwill as set out above.

##### *Internally generated intangible assets*

Research expenditure incurred in the year is charged against profit unless specifically chargeable to and recoverable from customers under agreed contract terms. Development costs are expensed as incurred unless the project they relate to meet the following criteria for capitalisation:

- The project is clearly defined and its related costs are separately identified and reliably measured;
- The technical feasibility of the project is demonstrated;
- The intention exists to complete the project and to use or sell it;
- Adequate technical and financial resources are available to complete the project; and
- It is probable that the future economic benefits attributable to the project will flow to the Company.

Capitalised development costs are costs incurred directly attributable to the project (including materials, services and fees), including an appropriate portion of relevant overheads.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life of the asset. The amortisation charge is reported in research and development expenses.

**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 March 2018****2. ACCOUNTING POLICIES (continued)****Foreign currency transactions**

Foreign currency transactions are initially recognised by applying to the foreign currency amount the spot exchange rate between the functional currency of the reporting unit and the foreign currency at the date of the transaction. Currency units held, assets to be received and liabilities to be paid resulting from those transactions are re-measured at closing exchange rates at the end of each reporting period. Realised exchange gains or losses at the date of payment as well as unrealised gains or losses deriving from re-measurement are recorded within income from operations when they relate to operating activities or within financial income or expense when they relate to financing activities.

Since the Company is exposed to foreign currency volatility, the Group's treasury function puts in place hedges to cover the exposures in its operating subsidiaries. These derivatives are recognised on the Statement of Financial Position at their fair value at the closing date. Providing that the relationships between the foreign currency exposure and the related derivatives are qualifying relationships, the Company uses the specific accounting treatments designated as hedge accounting. A relationship qualifies for hedge accounting if, at the inception of the hedge, it is formally designated and documented and if it proves to be highly effective throughout the financial reporting periods for which the hedge was designated.

*Fair value hedge accounting*

The Company applies fair value hedge accounting whereby changes in the fair value of derivatives and changes in the fair value of hedged items are both recognised in the income statement and offset each other up to the gain or loss on the effective portion on the hedging instrument.

The ineffective portion on the hedging instrument is recognised in the income statement. Realised and unrealised exchange gains and losses on hedged items and hedging instruments are recorded within income from operations when they relate to operating activities or within financial income or expense when they relate to financing activities.

As the effective portion on the hedging instrument offsets the difference between the spot rate at inception of the hedge and the effective spot rate at the outcome of the hedge, sales and costs resulting from commercial contracts are recognised at the spot rate at inception of the hedge throughout the life of the related commercial contracts, provided that the corresponding hedging relationships keep on qualifying for hedge accounting.

**Equity-settled share based payments**

Equity-settled share-based payments are measured at fair value at the grant date (excluding the effect of non market-based conditions) using an appropriate valuation model. The cumulative recognised expense is based on the fair value at grant date and on the estimated number of shares that will eventually vest (including the effect of non market-based vesting conditions). It is recorded in Income from Operations throughout the vesting period with a counterpart in equity.

At the end of each reporting period, the Company revises its estimate of the number of options that are expected to vest based on the non market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Further details of the share-based payment plan currently impacting the Company, and the share-based payment expense for the year are given in note 4.

**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 March 2018****2. ACCOUNTING POLICIES (continued)****Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment loss. When a tangible fixed asset is made up of components with different useful lives, the total cost is allocated between the various components. Components are then separately depreciated.

Depreciation is computed using the straight-line method over the estimated useful lives of each component. The useful lives most commonly used are the following:

Freehold buildings – between 10 and 40 years;

Leasehold property – over period of lease or 50 years for long leases;

Plant, machinery and other fixed assets – between 3 and 25 years.

Other plant and equipment comprises IT hardware, office equipment & furniture and road vehicles.

Useful lives are reviewed on a regular basis and changes in estimates, when relevant, are accounted for on a prospective basis. The depreciation expense is recorded in cost of sales, selling expenses or administrative expenses, based on the function of the underlying assets.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

**Leases**

Tangible fixed assets acquired through finance lease arrangements or long-term rental arrangements that transfer substantially all the risks and rewards incidental to ownership are capitalised. They are recognised at their fair value at the inception of the lease, or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a financing obligation. Lease payments are apportioned between finance charges and repayment of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or the term of the relevant lease, when shorter.

Leases that do not transfer substantially all risks and rewards incidental to ownership are classified as operating leases. Rentals payable are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised on a straight-line basis over the lease term.

**Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost represents materials, direct labour and appropriate production overheads, calculated on a weighted average cost basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 March 2018****2. ACCOUNTING POLICIES (continued)****Receivables**

Receivables are initially recognised at fair value, which in most cases approximates to the nominal value. They are subsequently re-measured at amortised cost using the effective interest rate method. If there is any subsequent indication that those assets may be impaired, they are reviewed for impairment. Any difference between the carrying value and the impaired value (net realisable value) is recorded within income from operations. The impairment loss can be reversed if the value is recovered in the future. In that case, the reversal of the impairment loss is reported within income from operations.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash and short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, which are subject to an insignificant risk of change in value.

The Company deposits its cash and cash equivalents with the ALSTOM Group's treasury function on overnight deposit. The amounts deposited are pursuant to intercompany loan arrangements. While the Group has the power to control decisions of subsidiaries of which it is the majority owner, its subsidiaries are distinct legal entities and their payment of dividends and granting of loans, advances and other payments to the Group may be subject to legal or contractual restrictions, be contingent upon their earnings or be subject to business or other constraints. As such, the Directors consider that the amounts deposited under such intercompany loan arrangements should be included within 'cash and cash equivalents'.

**Income tax**

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity. In this case, the related income tax is also recognised in Other Comprehensive Income or equity respectively.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Temporary differences arising between the carrying amount and the tax base of assets and liabilities, unused tax losses and unused tax credits are identified. Corresponding deferred taxes are calculated at the enacted or substantively enacted tax rates that are expected to apply in the period when the asset is realised or the liability settled.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available in the future against which the deductible differences, unused tax losses and unused tax credits can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets and liabilities are offset when both of the following conditions are met:

- the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 March 2018****2. ACCOUNTING POLICIES (continued)****Provisions**

As long as a construction contract or a long-term service agreement is in progress, obligations attributable to such a contract are taken into account in the assessment of the margin to be recognised and are therefore reported within the financial statements as "Construction contracts in progress – assets" or "Construction contracts in progress – liabilities".

Upon completion of the contract, such obligations are recognised as distinct liabilities when they satisfy the following criteria:

- the Company has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of economic resources will be required to settle the obligation; and
- such outflow can be reliably estimated.

These liabilities are presented as provisions when they are of uncertain timing or amount. When this uncertainty is dispelled, they are presented as trade payables or other current liabilities.

Obligations resulting from transactions other than construction contracts and long-term service agreements are directly recognised as provisions as soon as the above mentioned criteria are met.

Where the effect of the time value of money is material, provisions are measured at their present value.

**Employee Benefits – pensions and other post-retirement benefits**

The Company participated in three defined benefit schemes during the year, all of which require contributions to be made to separately administered funds.

The operating cost of providing benefits under the defined benefit schemes, as calculated periodically by an independent actuary, is charged to the Company's income from operations in the year that those benefits are earned by the employees. The financial returns expected on the pension assets, which are calculated on the basis of the discount rate used to value the defined benefit obligation, are recognised in the year in which they arise as part of the finance income. Other changes in the value of the pension scheme's assets and liabilities are reported as actuarial gains or losses as they arise in Other Comprehensive Income. The pension scheme's surpluses, to the extent they are considered recoverable, or deficits are recognised in full and presented in the Statement of Financial Position.

For defined contribution plans and Group Personal Pension Plan arrangements, the Company's contributions are charged against profits for the year to which they relate.

**Payables**

Payables are initially recognised at fair value, which in most cases approximates to the nominal value. They are subsequently re-measured at amortised cost.

**Government grants**

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Grants relating to property, plant and equipment are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 March 2018****3. TURNOVER**

The geographical analysis of turnover by destination is as follows:

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
United Kingdom	562.9	596.2
Europe	1.7	1.2
Australasia and Asia	1.2	0.9
Americas	-	0.1
	<b>565.8</b>	<b>598.4</b>

**4. INCOME FROM OPERATIONS**

Income from operations is stated after the following items:

**Research and development expenses**

An amount of £16.9m (2017: £17.4m) is included in cost of sales, which includes charges for use of technology owned by other group companies.

**Auditor's remuneration**

The auditor's remuneration for the year ended 31 March 2018 in respect of the audit of the financial statements was £172,000 (2017: £172,000), in addition to £18,000 (2017: £71,000) for the provision of non-audit services.

**Operating lease charges**

Amounts in respect of operating leases on motor vehicles and equipment amounted to £1.9m (2017: £0.5m).

**Exchange gains and losses**

Foreign exchange gains/(losses) recognised in cost of sales amount to £1.0m (2017: £Nil) of which a £0.1m loss relates to hedged items (2017: £0.3m gain).

**Share based payment expense**

On 23 September 2016, the Group set up a worldwide free share distribution plan. The 30-shares-award concerns all employees within Alstom on 30 June 2016, on the condition that they are still employees of the Alstom group at the end of a 2-year vesting period. The expense for the year ended 31 March 2018 amounted to £0.9m (2017: £0.3m). Further details regarding the plan, including any assumptions applied to calculate the share based payment charge, are disclosed in the financial statements of ALSTOM.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2018**

**5. INTEREST PAYABLE AND OTHER FINANCE COSTS**

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Interest payable and similar charges		
- Finance leases	-	(0.1)
- Group	(0.2)	(0.2)
	<u>(0.2)</u>	<u>(0.3)</u>
Finance (costs)/income on employee benefit obligations (note 15)		
- Finance income	7.6	9.2
- Finance costs	(11.2)	(11.7)
	<u>(3.6)</u>	<u>(2.5)</u>

**6. INCOME TAX EXPENSE**

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
<b>Current taxation</b>		
Current taxation charge for the year	(5.0)	(8.4)
Group relief payable	(1.7)	-
Adjustments in respect of prior year	(2.9)	(0.7)
	<u>(9.6)</u>	<u>(9.1)</u>
<b>Deferred taxation:</b>		
Deferred taxation (charge)/credit for the year	(0.4)	(0.8)
Adjustments in respect of prior year	(0.7)	0.5
Reduction in tax rate	(0.3)	(0.4)
	<u>(1.4)</u>	<u>(0.7)</u>
<b>Income tax expense reported in the Statement of Comprehensive Income</b>	<u><b>(11.0)</b></u>	<u><b>(9.8)</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2018

## 6. INCOME TAX EXPENSE (continued)

A reconciliation between the tax expense and the Company's accounting profit multiplied by the UK Corporation tax rate for the year ended 31 March 2018 and the prior year is as follows:

	2018 £m	2017 £m
Pre-tax income	37.2	62.4
Tax charge on pre-tax income at standard rate of 19% (2017: 20%)	(7.1)	(12.5)
Factors affecting charge for the year:		
Permanent differences	-	1.3
Adjustments in respect of prior year	(3.6)	(0.2)
Change in tax rate	(0.3)	(0.4)
Recognition of previously unrecognised deferred tax asset	-	2.0
<b>Income tax expense reported in the Statement of Comprehensive Income</b>	<b>(11.0)</b>	<b>(9.8)</b>

## Deferred tax

The amount of deferred tax asset, all of which is recognised, is as follows:

	2018 Recognised £m	2017 Recognised £m
Tax losses	1.4	2.0
Differences between carrying amount and tax base of tangible and intangible assets	5.6	6.9
Employee benefit obligations	9.3	14.5
Other timing differences	2.5	3.6
	<b>18.8</b>	<b>27.0</b>

The Directors are satisfied as to the recoverability of the recognised deferred tax assets at 31 March 2018 based on the Company's business plan, as approved by the Board of Directors.

In accordance with IAS12, the deferred tax asset has been valued at the relevant tax rate for the period in which it is expected to be recognised.



## NOTES TO THE FINANCIAL STATEMENTS

### Year ended 31 March 2018

#### 6. INCOME TAX EXPENSE (continued)

The deferred tax movement for the year is as follows:

	Pension scheme liability £m	Losses and other temporary differences £m	Total £m
<b>Balance at 1 April 2016</b>	<b>7.2</b>	<b>12.5</b>	<b>19.7</b>
(Charged)/credited to income statement			
Current period	1.2	(2.0)	(0.8)
Adjustments in respect of prior year	-	0.5	0.5
Effect of rate change to 17%	(0.2)	(0.2)	(0.4)
Acquisitions	1.1	1.7	2.8
Credited to Other Comprehensive Income	5.2	-	5.2
<b>Balance at 1 April 2017</b>	<b>14.5</b>	<b>12.5</b>	<b>27.0</b>
(Charged)/credited to income statement			
Current period	1.8	(2.2)	(0.4)
Adjustments in respect of prior year	-	(0.7)	(0.7)
Effect of rate change	(0.2)	(0.1)	(0.3)
Credited to Other Comprehensive Income	(6.8)	-	(6.8)
<b>Balance at 31 March 2018</b>	<b>9.3</b>	<b>9.5</b>	<b>18.8</b>

#### 7. INTANGIBLE ASSETS

	Software £m	Goodwill £m	Other Intangible Assets £m	Total £m
<b>Cost</b>				
<b>At 1 April 2017 and 31 March 2018</b>	<b>5.5</b>	<b>7.2</b>	<b>1.8</b>	<b>14.5</b>
<b>Accumulated depreciation</b>				
At 1 April 2017	5.5	-	0.7	6.2
Charge for amortisation	-	-	0.3	0.3
<b>At 31 March 2018</b>	<b>5.5</b>	<b>-</b>	<b>1.0</b>	<b>6.5</b>
<b>Net book value</b>				
<b>At 31 March 2018</b>	<b>-</b>	<b>7.2</b>	<b>0.8</b>	<b>8.0</b>
At 31 March 2017	-	7.2	1.1	8.3

Other Intangible Assets represent the value attributed to order books and customer relationships acquired.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2018**

**8. TANGIBLE FIXED ASSETS**

	Land and Buildings £m	Plant and Machinery £m	Other Plant and Equipment £m	Assets in course of construction £m	Total £m
<b>Cost</b>					
At 1 April 2017	9.1	10.6	2.1	15.6	37.4
Additions	2.1	0.1	-	1.7	3.9
Reclassifications	17.3	-	-	(17.3)	-
<b>At 31 March 2018</b>	<b>28.5</b>	<b>10.7</b>	<b>2.1</b>	<b>-</b>	<b>41.3</b>
<b>Accumulated depreciation</b>					
At 1 April 2017	5.6	8.8	1.6	-	16.0
Charge for depreciation	0.3	1.1	-	-	1.4
<b>At 31 March 2018</b>	<b>5.9</b>	<b>9.9</b>	<b>1.6</b>	<b>-</b>	<b>17.4</b>
<b>Net book value</b>					
<b>At 31 March 2018</b>	<b>22.6</b>	<b>0.8</b>	<b>0.5</b>	<b>-</b>	<b>23.9</b>
At 31 March 2017	3.5	1.8	0.5	15.6	21.4

Of the net book value of Land and Buildings shown above, £22.1m (2017: £2.6m) is in respect of freehold land and buildings and £0.5m (2017: £0.9m) is in respect of leasehold land and buildings.

Other plant and equipment includes IT hardware, office equipment & furniture and road vehicles. The net book value of property, plant and equipment held under finance leases and included above is as follows:

	2018 £m	2017 £m
Short leasehold land and buildings	0.1	0.3

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2018**

**9. INVENTORIES**

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Raw materials and components	58.5	58.2
Work in progress	1.9	1.8
Finished goods	2.7	3.6
	<b>63.1</b>	<b>63.6</b>

The amounts shown above are net of provisions for slow moving and obsolete inventories.

**10. CONSTRUCTION CONTRACTS IN PROGRESS**

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Construction contracts in progress – assets	162.4	188.1
Construction contracts in progress – liabilities	(19.7)	(26.6)
<b>Construction contracts in progress</b>	<b>142.7</b>	<b>161.5</b>

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Contract costs incurred & recognised profits less recognised losses to date	3,080.3	2,636.2
Less progress billing	(2,930.0)	(2,470.0)
<b>Construction contracts in progress excluding downpayments received from customers</b>	<b>150.3</b>	<b>166.2</b>
Down payments received from customers	(7.6)	(4.7)
<b>Construction contracts in progress</b>	<b>142.7</b>	<b>161.5</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2018**

**11. TRADE RECEIVABLES**

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Trade receivables	15.4	28.5
Receivables from related parties	5.5	8.0
	<b>20.9</b>	<b>36.5</b>

<b>Past due at the balance sheet date</b>					
	<b>Total</b>	<b>Not yet past due</b>	<b>Less than 60 days</b>	<b>Between 60 and 180 days</b>	<b>More than 180 days</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Gross	15.4	10.1	3.7	0.4	1.2
Impairment	-	-	-	-	-
<b>Trade receivables at 31 March 2018</b>	<b>15.4</b>	<b>10.1</b>	<b>3.7</b>	<b>0.4</b>	<b>1.2</b>
Gross	28.6	27.4	0.2	0.1	0.9
Impairment	(0.1)	-	-	-	(0.1)
<b>Trade receivables at 31 March 2017</b>	<b>28.5</b>	<b>27.4</b>	<b>0.2</b>	<b>0.1</b>	<b>0.8</b>

External trade receivables are non-interest bearing and generally on 30 to 90 day terms. Receivables from related parties are repayable either on demand or on 30 day terms and are not considered to carry any significant risk of impairment as at the year end date.

Impairment losses are determined considering the risk of non-recovery assessed on a case by case basis. Due to the type of business operated by the Company, past due receivables are frequently representative of outstanding amounts confirmed by customers but whose payment is subject to clearance of items raised during inspection of works. Such receivables do remain fully recoverable; costs to be incurred for the clearance of pending items are included in the determination of the margin at completion of the related contracts.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2018**

**12. OTHER OPERATING ASSETS**

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Prepayments and accrued income	3.7	6.5
Other receivables	22.2	22.5
Derivatives relating to operating activities	1.8	1.6
Remeasurement of hedged firm commitments	0.1	0.2
	<b>27.8</b>	<b>30.8</b>

Other receivables include amounts of £8.3m (2017: £11.1m) which fall due outside of one year.

**13. SHARE CAPITAL**

	<b>2017 and 2018 £m</b>
<b>Allotted, called-up and fully paid</b>	
220,000,000 ordinary shares of £1 each	<b>220.0</b>

The shares have attached to them full voting, dividend and capital distribution rights.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2018**

**14. PROVISIONS**

	Warranty	Contract Risks (incl. Penalties & Claims)	Restructuring	Other	Total
	£m	£m	£m	£m	£m
<b>At 1 April 2017</b>	<b>1.1</b>	<b>2.0</b>	<b>0.3</b>	<b>1.4</b>	<b>4.8</b>
Additions	0.1	0.2	12.9	-	13.2
Utilised	(0.1)	(0.7)	(5.3)	(0.6)	(6.7)
Released	(0.7)	(0.1)	-	(0.1)	(0.9)
<b>At 31 March 2018</b>	<b>0.4</b>	<b>1.4</b>	<b>7.9</b>	<b>0.7</b>	<b>10.4</b>

- a) Warranty – The provision is established to recognise known and expected claims against delivered products or services within the contractual guarantee periods for such sales. The expenditure is expected to be mainly incurred over the next 12 to 30 months, in line with the contractual warranty periods.
- b) Contract Risks (incl. Penalties & Claims) – These provisions relate to risks on contracts including anticipated risks related to non-performance in respect of contractual terms for delivery and performance. The utilisation of these provisions is anticipated to be within 2 years.
- c) Restructuring – These provisions are established to cover the costs of ongoing reorganisation within the Company including costs of reducing manpower, relocating premises and onerous property leases. They are expected to be largely utilised within 5 years.
- d) Other Provisions – These are provisions which relate to the local needs of the businesses, including claims against the Company which are non-contract related. The utilisation of these provisions is anticipated to be within 3 years.

**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 March 2018****15. EMPLOYEE BENEFIT OBLIGATIONS (PENSION SCHEMES)**

The Company participates in three defined benefit pension schemes, further details of which are disclosed below.

The Company is the Designated Employer for three of the Shared Cost sections of the Railways Pension Scheme, a defined benefit scheme. The impact on the Statement of Financial Position is as follows:

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Railways Pension Scheme		
Alstom Railways Shared Cost Section	0.6	(12.8)
West Coast Traincare Shared Cost Section	(46.7)	(60.1)
Alstom Signalling Shared Cost Section	(8.7)	(12.3)
	<hr/>	<hr/>
Net pension deficit	(54.8)	(85.2)
	<hr/>	<hr/>

The impact, before accounting for deferred taxation of all defined benefit pension schemes in which the Company participates on Other Comprehensive Income is as follows:

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Actuarial gain/(loss) recognised in pension schemes:		
Railways Pension Scheme		
Alstom Railways Shared Cost Section	19.0	(10.5)
West Coast Traincare Shared Cost Section	16.7	(17.6)
Alstom Signalling Shared Cost Section	4.4	(5.0)
	<hr/>	<hr/>
	40.1	(33.1)
	<hr/>	<hr/>

Since incorporation, the cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income, before accounting for taxation, is losses of £32.4m (2017: losses of £72.5m).

**Railways Pension Scheme**

The Company is the Designated Employer of three Sections of the Railways Pension Scheme. The assets of each of these Sections are held in separate trustee administered funds which are independent of the Company finances, and identified separately from the remainder of the Railways Pension Scheme. All of Alstom's employees in these sections are ALSTOM Transport UK Limited employees; there are no other participating employers. The disclosures required under IAS19 have been calculated by a qualified independent actuary and are based on the most recent full actuarial valuations as at 31 December 2016 updated to 31 March 2018.

# NOTES TO THE FINANCIAL STATEMENTS

## Year ended 31 March 2018

### 15. EMPLOYEE BENEFIT OBLIGATIONS (PENSION SCHEMES) (continued)

#### Railways Pension Scheme (continued)

The amounts recognised in the Statement of Financial Position are as follows:

##### At 31 March 2018

	West Coast Traincare Section £m	Alstom Railways Section £m	Alstom Signalling Section £m	Total £m
Present value of funded obligations	(170.0)	(170.0)	(32.3)	(372.3)
Fair value of plan assets	123.3	170.6	23.6	317.5
(Deficit)/Surplus in the Scheme	<b>(46.7)</b>	<b>0.6</b>	<b>(8.7)</b>	<b>(54.8)</b>

##### At 31 March 2017

	West Coast Traincare Section £m	Alstom Railways Section £m	Alstom Signalling Section £m	Total £m
Present value of funded obligations	(175.3)	(177.4)	(34.1)	(386.8)
Fair value of plan assets	115.2	164.6	21.8	301.6
(Deficit)/Surplus in the Scheme	<b>(60.1)</b>	<b>(12.8)</b>	<b>(12.3)</b>	<b>(85.2)</b>

The amounts (charged)/credited in the Income Statement are as follows:

	West Coast Traincare Section £m	Alstom Railways Section £m	Alstom Signalling Section £m	2018 Total £m
Current service cost	(3.7)	(6.5)	(1.7)	<b>(11.9)</b>
Interest income	2.9	4.1	0.6	<b>7.6</b>
Interest on scheme liabilities	(4.5)	(4.6)	(0.9)	<b>(10.0)</b>
Other finance costs	(0.6)	(0.5)	(0.1)	<b>(1.2)</b>
Total finance costs	(2.2)	(1.0)	(0.4)	<b>(3.6)</b>
Curtailment gain	0.3	-	0.7	1.0
Total charge in the Statement of Comprehensive Income	<b>(5.6)</b>	<b>(7.5)</b>	<b>(1.4)</b>	<b>(14.5)</b>
Actual return on pension scheme assets	<b>8.8</b>	<b>9.5</b>	<b>0.8</b>	<b>19.1</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2018**

**15. EMPLOYEE BENEFIT OBLIGATIONS (PENSION SCHEMES) (continued)**

	<b>West Coast Traincare Section</b>	<b>Alstom Railways Section</b>	<b>Alstom Signalling Section</b>	<b>2017 Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Current service cost	(2.6)	(4.6)	(1.2)	<b>(8.4)</b>
Interest income	3.4	5.1	0.7	<b>9.2</b>
Interest on scheme liabilities	(4.9)	(5.3)	(0.9)	<b>(11.1)</b>
Other finance costs	(0.3)	(0.3)	-	<b>(0.6)</b>
Total finance costs	(1.8)	(0.5)	(0.2)	<b>(2.5)</b>
Total charge in the Statement of Comprehensive Income	(4.4)	(5.1)	(1.4)	<b>(10.9)</b>
Actual return on pension scheme assets	14.2	16.8	3.0	<b>34.0</b>

Changes in the present value of the defined benefit obligation are as follows:

	<b>West Coast Traincare Section</b>	<b>Alstom Railways Section</b>	<b>Alstom Signalling Section</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Defined benefit obligation at 1 April 2016</b>	<b>(141.1)</b>	<b>(149.9)</b>	-	<b>(291.0)</b>
Acquisitions	-	-	(24.7)	(24.7)
Service cost	(2.6)	(4.6)	(1.2)	(8.4)
Contributions by employees	(1.2)	(1.4)	(0.4)	(3.0)
Interest cost	(4.9)	(5.3)	(0.9)	(11.1)
Other finance costs	(0.3)	(0.3)	-	(0.6)
Actuarial gain – experience	1.4	2.8	(0.5)	3.7
Actuarial loss – change in financial assumptions	(29.9)	(25.0)	(6.8)	(61.7)
Benefits paid	3.3	6.3	0.4	10.0
<b>Defined benefit obligation at 1 April 2017</b>	<b>(175.3)</b>	<b>(177.4)</b>	<b>(34.1)</b>	<b>(386.8)</b>
Service cost	(3.7)	(6.5)	(1.7)	(11.9)
Contributions by employees	(1.2)	(1.2)	(0.3)	(2.7)
Interest cost	(4.5)	(4.6)	(0.9)	(10.0)
Other finance costs	(0.6)	(0.5)	(0.1)	(1.2)
Curtailement gain	0.3	-	0.7	1.0
Actuarial gain/(loss) – experience	(6.4)	(1.4)	0.5	(7.3)
Actuarial gain– change in financial assumptions	17.2	15.0	3.7	35.9
Transfers to scheme	-	-	(0.4)	(0.4)
Benefits paid	4.2	6.6	0.3	11.1
<b>Defined benefit obligation at 31 March 2018</b>	<b>(170.0)</b>	<b>(170.0)</b>	<b>(32.3)</b>	<b>(372.3)</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2018

## 15. EMPLOYEE BENEFIT OBLIGATIONS (PENSION SCHEMES) (continued)

## Railways Pension Scheme (continued)

The average duration of the defined benefit obligations at the end of the reporting period is 21 years for the West Coast Traincare Shared Cost Section, 16 years for the Alstom Railways Shared Cost Section and 23 years for the Alstom Signalling Shared Cost Section.

Changes in the fair value of plan assets are as follows:

	West Coast Traincare Section £m	Alstom Railways Section £m	Alstom Signalling Section £m	Total £m
<b>Fair value of plan assets at 1 April 2016</b>	<b>100.7</b>	<b>150.5</b>	-	<b>251.2</b>
Acquisitions	-	-	18.2	18.2
Interest income	3.4	5.1	0.7	9.2
Return on plan assets (excluding amounts included in interest income)	10.8	11.7	2.3	24.8
Contributions by employer	2.4	2.2	0.6	5.2
Contributions by employees	1.2	1.4	0.4	3.0
Benefits paid	(3.3)	(6.3)	(0.4)	(10.0)
<b>Fair value of plan assets at 1 April 2017</b>	<b>115.2</b>	<b>164.6</b>	<b>21.8</b>	<b>301.6</b>
Interest income	2.9	4.1	0.6	7.6
Return on plan assets (excluding amounts included in interest income)	5.9	5.4	0.2	11.5
Contributions by employer	2.3	1.9	0.6	4.8
Contributions by employees	1.2	1.2	0.3	2.7
Transfers to scheme	-	-	0.4	0.4
Benefits paid	(4.2)	(6.6)	(0.3)	(11.1)
<b>Fair value of plan assets at 31 March 2018</b>	<b>123.3</b>	<b>170.6</b>	<b>23.6</b>	<b>317.5</b>

The Company contributions to the Alstom Railways Shared Cost Section, West Coast Traincare Shared Cost Section and Alstom Signalling Shared Cost Section were at a rate of 16.04%, 25.09% and 18% of section pay (plus £75,000 lump sum contribution) respectively during the year. The Company expects to contribute a total of £4.4m to the Railways Pension Scheme in respect of these three sections during the year ending 31 March 2019.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2018**

**15. EMPLOYEE BENEFIT OBLIGATIONS (PENSION SCHEMES) (continued)**

**Railways Pension Scheme (continued)**

The following is a summary of the plan assets of the Scheme:

**At 31 March 2018**

	<b>West Coast Traincare Section</b>	<b>Alstom Railways Section</b>	<b>Alstom Signalling Section</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Equities	98.7	104.9	21.9	225.5
Bonds	24.3	65.1	1.7	91.1
Other	0.3	0.6	-	0.9
<b>Total fair value of plan assets</b>	<b>123.3</b>	<b>170.6</b>	<b>23.6</b>	<b>317.5</b>

**At 31 March 2017**

	<b>West Coast Traincare Section</b>	<b>Alstom Railways Section</b>	<b>Alstom Signalling Section</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Equities	92.7	101.9	20.0	214.6
Bonds	22.5	62.5	1.7	86.7
Other	-	0.2	0.1	0.3
<b>Total fair value of plan assets</b>	<b>115.2</b>	<b>164.6</b>	<b>21.8</b>	<b>301.6</b>

Of the above assets, all equities and bonds are quoted in active markets.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2018

## 15. EMPLOYEE BENEFIT OBLIGATIONS (PENSION SCHEMES) (continued)

## Railways Pension Scheme (continued)

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2018 % per annum	2017 % per annum
Discount rate at 31 March	2.80	2.50
Rate of increase in salaries	3.60	3.65
Rate of increase in pensions	2.10	2.15
Rate of price inflation – CPI	2.10	2.15

The assumptions used by the actuary are best estimates chosen by the Directors from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The assumptions used have a significant effect on the actuarial valuation of the Scheme liabilities. The following sensitivity analysis for each of the assumptions used to measure the actuarial valuation of the Scheme's liabilities shows the increase or decrease in the funded obligation at 31 March 2018:

## West Coast Traincare Shared Cost Section

	Increase by 0.25%
<b>Impact on funded obligation</b>	<b>£m</b>
Discount rate	(8.1)
Increase in pensions	5.9
Increase in salaries	1.8
Other inflation linked benefits	0.8
Inflation-linked assumptions	8.5

## Alstom Railways Shared Cost Section

	Increase by 0.25%
<b>Impact on funded obligation</b>	<b>£m</b>
Discount rate	(6.5)
Increase in pensions	4.7
Increase in salaries	0.2
Other inflation linked benefits	1.2
Inflation-linked assumptions	6.1

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2018

## 15. EMPLOYEE BENEFIT OBLIGATIONS (PENSION SCHEMES) (continued)

## Railways Pension Scheme (continued)

## Alstom Signalling Shared Cost Section

	Increase by 0.25%
Impact on funded obligation	£m
Discount rate	(1.7)
Increase in pensions	1.3
Increase in salaries	0.3
Other inflation linked benefits	0.2
Inflation-linked assumptions	1.8

History of experience adjustments:

	2018 £m	2017 £m	2016 £m	2015 £m
Defined benefit obligation	(372.3)	(386.8)	(291.0)	(283.4)
Plan assets	317.5	301.6	251.2	256.4
Deficit	(54.8)	(85.2)	(39.8)	(27.0)
Experience (loss)/gain on plan liabilities	(7.3)	3.7	3.8	(5.4)
Experience gain/(loss) on plan assets	11.5	24.8	(9.2)	19.1

## Defined contribution arrangements

All qualifying employees are entitled to participate in a Group Personal Plan arrangement, the Alstom UK Group Personal Pension Plan. All of the assets are held in funds independent of the Company's finances. The total amount charged to the Statement of Comprehensive Income for the year was £4.3m (2017: £4.4m).

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2018**

**16. OBLIGATIONS UNDER FINANCE LEASES**

**Minimum finance lease payments**

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
<b>Finance Leases repayable</b>		
Within one year	0.1	0.2
Between one and two years	-	0.1
	<hr/>	<hr/>
Present value of finance lease obligations	<b>0.1</b>	<b>0.3</b>
	<hr/> <hr/>	<hr/> <hr/>

**Present value of minimum finance lease payments**

<b>Finance Leases repayable</b>		
Within one year	0.1	0.2
Between one and two years	-	0.1
	<hr/>	<hr/>
	<b>0.1</b>	<b>0.3</b>
	<hr/> <hr/>	<hr/> <hr/>

Certain land and buildings have been pledged as security for the amounts repayable under finance leases.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2018**

**17. OTHER CURRENT OPERATING LIABILITIES**

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Owed to related parties	3.8	11.6
Corporation tax	4.9	2.0
Other taxes and social security	15.4	5.9
Other creditors, accruals and deferred income	24.5	22.4
Derivatives relating to operating activities	1.9	1.7
Remeasurement of hedged firm commitments	0.8	0.9
	<b>51.3</b>	<b>44.5</b>

**18. DIRECTORS AND EMPLOYEES**

**Average total employees by function:**

	<b>2018</b>	<b>2017</b>
	<b>No</b>	<b>No</b>
Manufacturing and engineering	1,786	1,809
Commercial	72	76
Management and administration	426	525
	<b>2,284</b>	<b>2,410</b>

**Employee costs:**

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Wages and salaries	104.8	103.2
Social security costs	11.7	10.6
Pension costs	16.2	12.8
Share-based payment expense	0.9	0.3
	<b>133.6</b>	<b>126.9</b>

The employee numbers and costs shown above include agency workers.  
The average number of agency workers for the year was 448 (2017: 479).

**Pension costs comprise:**

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Defined benefit schemes	11.9	8.4
Defined contribution and group personal pension plans	4.3	4.4
	<b>16.2</b>	<b>12.8</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2018**

**18. DIRECTORS AND EMPLOYEES (continued)**

<b>Directors' emoluments:</b>	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Salary and benefits	1.5	1.8
Compensation for loss of office	0.2	-
Company contributions to defined contribution pension arrangements	0.1	0.1
	<u>1.8</u>	<u>1.9</u>

	<b>2018</b>	<b>2017</b>
	<b>No</b>	<b>No</b>
Directors who are members of a defined benefit pension scheme	<u>2</u>	<u>3</u>
Directors who received benefits under defined contribution pension arrangements	<u>4</u>	<u>5</u>

Certain of the Directors are remunerated in whole in part by other group companies and in some cases it is not practicable to allocate their remuneration for services as directors of this Company.

<b>Highest paid Director:</b>	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Salary and benefits	0.4	0.4
Company contributions to defined contribution pension arrangements	-	-
Highest paid Director's total remuneration	<u>0.4</u>	<u>0.4</u>



**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 March 2018****19. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

Forward currency contracts are used to eliminate the currency exposure on any individual sale or purchase transaction in excess of €100,000. Forward currency contracts must be denominated in the same currency as the hedged item. It is the Group's policy to negotiate the terms of hedge derivatives to match the terms of hedged items to maximise hedge effectiveness.

At the balance sheet date, the Company was committed to the following principal forward currency contracts. Sterling equivalent figures are based on the spot exchange rate at the balance sheet date:

	<b>2018</b>	<b>2017</b>
	<b>Sterling</b>	<b>Sterling</b>
	<b>equivalent</b>	<b>equivalent</b>
	<b>£m</b>	<b>£m</b>
Purchase foreign currencies forward	51	58
Sell foreign currencies forward	(27)	(24)

Derivative financial instruments are expected to settle at various future dates to match the settlement of hedged firm commitments. There are no significant terms and conditions which may affect the amount, timing and certainty of future cash flows.

**20. COMMITMENTS AND CONTINGENCIES****a) Operating Lease Arrangements****The Company as lessee**

The Company has entered into commercial leases on property, motor vehicles and items of equipment. Future minimum rentals payable under non-cancellable operating leases are as follows:

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Within one year	4.3	2.3
After one year but not more than five years	7.0	4.8
In more than five years	0.2	-
	<b>11.5</b>	<b>7.1</b>

**b) Capital Commitments**

	<b>2018</b>	<b>2017</b>
	<b>£m</b>	<b>£m</b>
Contracted for but not provided in the financial statements	0.8	2.5

**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 March 2018****20. COMMITMENTS AND CONTINGENCIES (continued)****c) Guarantees related to contracts**

In accordance with industry practice, guarantees of performance under contracts with customers and under offers on tenders are given.

Such guarantees can, in the normal course, extend from the tender period until the final acceptance by the customer or the end of the warranty period and may include guarantees on project completion, of contract specific defined performance criteria or plant availability.

In addition, guarantees are provided by banks or surety companies by way of various forms of performance bond. These are normally for defined amounts and periods. The Company provides counter indemnities to the bank or surety company.

Projects for which the guarantees are given are regularly reviewed by management and when it becomes probable that payments pursuant to performance guarantees will be required to be made, accruals are recorded in the financial statements at that time.

**d) Product liability**

The Company designs, manufactures and sells several products of large individual value that are used in major infrastructure projects. In this environment, product-related defects have the potential to create liabilities that could be material. If potential product defects become known, a technical assessment occurs whereby products of the affected type are quantified and studied. If the results of the study indicate that a product liability exists, provisions are recorded. The Company believes that it has made adequate provisions to cover currently known product-related liabilities, and regularly revises its estimates using currently available information. Neither the Company nor any of its businesses are aware of product-related liabilities which would exceed the amounts already recognised and the Company believes it has provided sufficient amounts to satisfy its litigation, environmental and product liability obligations to the extent they can be estimated.

**21. RELATED PARTY TRANSACTIONS**

The Company's parent undertaking, ALSTOM Transport UK (Holdings) Limited has a 33.3% shareholding in ABC Electrification Limited. During the year ended 31 March 2018, the Company charged an amount of £5.6m (2017: £7.9m) to ABC Electrification Limited in respect of costs and management fees.

At the balance sheet date, there was an amount due from ABC Electrification Limited of £0.2m (2017: £1.7m).

**22. PARENT UNDERTAKINGS**

The Company's immediate parent undertaking is ALSTOM Transport UK (Holdings) Limited, a company incorporated in England & Wales.

The Company's ultimate parent undertaking and ultimate controlling party is ALSTOM, a company incorporated in France. The only Group in which the results of the Company are consolidated is that headed by ALSTOM. A copy of the ALSTOM financial statements can be obtained from 48, rue Albert Dhalenne, 93842 Saint-Ouen, France or via the ALSTOM website at [www.alstom.com](http://www.alstom.com).