

**ALSTOM Engineering and Services Limited
(formerly Bombardier Transportation UK
Limited)**

Directors' Report, Strategic Report and Financial Statements

For the 15 months ended 31 March 2023

Registered number 02235994

Table of Contents

Company Information	3
Directors' Report	4
Strategic Report	8
Statement of Directors' Responsibilities	16
Independent Auditors' Report to the Members of ALSTOM Engineering and Services Limited	18
Statement of Profit or Loss	23
Statement of Comprehensive Income	24
Statement of Changes in Equity	25
Balance Sheet	26
Notes to the Financial Statements	27

Company Information

Directors	J Baldock P J Broadley N P Crossfield C R Haynes M D L Hulme D A Johnston S J R MacLeod P S R Wood A McMillan S Day W J Tanner	(Appointed 3 March 2022) (Appointed 3 March 2022) (Appointed 11 July 2022) (Appointed 11 July 2022) (Appointed 3 March 2022) (Appointed 3 March 2022, Resigned 13 June 2022) (Appointed 3 March 2022, Resigned 30 June 2022) (Resigned 28 February 2022)
Secretary	C G Hakes	
Registered office	Litchurch Lane Derby DE24 8AD United Kingdom	
Registered number	02235994	
Auditors	Mazars LLP One St Peter's Square Manchester M2 3DE	
Principal bankers	Deutsche Bank AG London 6 Bishopsgate London EC2P 2AT United Kingdom	
Solicitors	Hogan Lovells Atlantic House Holborn Viaduct London, EC1A 2FG Pinsent Masons LLP 30 Crown Place London, EC2A 4ES	

Directors' Report

The Directors are pleased to present their Annual Report, Strategic Report and Financial Statements for the 15 months ended 31 March 2023. There has been a change in the accounting period for this set of Reports and Financial Statements which is for 15 months to 31 March 2023 compared to 12 months to 31 December in previous periods. This change was made to align the Company's year end with that of the ALSTOM SA group. There will be some lack of comparability with the prior year income statement of 12 months as a result of this change. The Directors have endeavoured to provide additional disclosure where needed to aid comparability.

The Statement of Profit or Loss presented on page 23 shows a loss after tax for the 15 months ended 31 March 2023 of £21.8m (2021: loss as restated of £411.4m). Revenue for the period was £1,592.2m (2021: £427.6m) and an analysis is shown in note 4 to the financial statements.

No dividends were paid during the period (2021: £nil).

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

Going concern

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

The Financial Statements have been prepared on a going concern basis, which assumes the Company will continue in operational existence for the foreseeable future.

The Directors have undertaken a rigorous assessment, considering the current level of borrowings, and future cash needs through to 31 March 2026, by considering the Company's 3-year plan and the future evolution and growth of the Company's business.

The balance sheet at 31 March 2023 shows net assets of £61.4m. This represents a significant increase over the year ended 31 December 2021 which had net liabilities of £229.3m, the increase principally due to a re-capitalisation of the Company during the period for an amount of £252m as described in note 21. Net current assets were positive at the end of the period.

The balance sheet includes Borrowings (on the current account, part of Alstom's cash pooling arrangements) of £222.5m (2021: £267.4m). It should be noted that the Company, per the terms of the Treasury management agreement it has entered into is able to access funds through the cash pooling facility, without needing to apply in advance for additional funds. In this way, access to cash on a day-to-day basis is guaranteed.

The Directors have considered the trading performance of the Company in the period since 1 April 2023, and the cash and liquidity position of the business at the date of approving the financial statements.

It is clear to see that the Company has experienced significant trading losses in previous years, predominantly the result of losses being experienced on sizable rolling stock contracts, although the extent of this loss was reduced in the current period. This on-going turnaround is a consequence of the many changes that were made both strategically and operationally in the period since ALSTOM's acquisition at the end of January 2021. Management and the Directors are now far more confident that the contracts which have experienced significant losses in previous years are under far more control and predictability, and that the Company has a positive future, with an expected long term view to return to profitability and positive cash generation. Specifically, the impact of the war in Ukraine and the associated macro-economic impacts such as the prospect of high levels of inflation have been considered. It should be noted that none of the Company's contracts are directly impacted by the situation in Ukraine, and whilst the macro-economic backdrop could prove challenging for many businesses, including our own, we consider that the Company is well placed to manage the financial impact of such risks.

We are due to finish delivering the AVENTRA orderbook, which initially totalled over 2,600 cars within financial year 23-24. Management are focused on the close monitoring of and the mitigation of any risks concerning reliability, the finalisation and customer acceptance of the remaining cars, and the consequential financial impacts of such risks.

Directors' Report

Going concern (continued)

The Company manages its day to day working capital and funding requirements through inter-group loans. ALSTOM Holdings SA, an intermediate parent company has confirmed in writing that it will provide the necessary financial support to the Company to enable it to settle its liabilities as they fall due.

The period considered by management when concluding on the ability of the Company to continue operating as a going concern runs to 31 July 2024.

If management were unable to achieve the 3-year plan, we would seek to draw on further group support, and we have been given assurances that ALSTOM Holdings SA would have the ability and intent to provide such support.

As ALSTOM's Corporate Treasury vehicle, Alstom Holdings SA centralizes intragroup loans and deposits with the Group's subsidiaries. Alstom Holdings SA is the sole subsidiary of the listed company Alstom SA and the direct or indirect shareholder of all the Alstom groups' subsidiaries.

The Directors have received adequate assurances that there has been no significant deterioration in ALSTOM SA's financial strength since 31 March 2023, ALSTOM SA's most recent year end date, and up to the date of approving these financial statements.

Access to liquidity for its subsidiaries has been demonstrated over many years by an historical track record of ALSTOM Holdings SA in providing a stable access to the Cash-Pool and other funding sources to all its participants to secure the sustainability of their operations. No credit limit has been defined for the Company.

In the unlikely event that ALSTOM Holdings SA was not able to provide sufficient funding to the Company, there would be a material uncertainty over the Company's ability to continue operating as a going concern. However, this scenario is considered by the Directors to be remote. On the basis of the above, the Company's directors believe it is therefore appropriate to prepare the financial statements on the going concern basis.

Correction of Error

As noted in the financial instruments disclosure (Note26) the Company takes out derivative positions called "Hedge on Behalf of" (HOBO) for certain other legal entities within the Alstom group. AESL is the legal counterparty to the derivative positions and carries the risk and rewards. AESL takes these positions out on behalf of other group entities to take advantage of trading facilities it has in place with UK counterparties and to keep in line with the ultimate parent company requirement that all its subsidiaries are to use forward currency contracts to eliminate currency exposures on all transactions in excess of €100,000. AESL does not have any 'back to back' relationship with the related group parties and is therefore exposed to the gross derivative risk. The derivatives are recognised and classified as held for trading. Any fair value gains and losses are therefore accounted for directly in the income statement.

During the period ended 31 March 2023, management performed a reconciliation of HOBO balances. This review identified that financing income for the fair value movement gain had been understated by £22,513,015 in relation to the year ended 31 December 2021. In line with IAS 8 the error has been corrected retrospectively and the impact, which only relates to the 2021 year-end, is as follows:

Impact on equity (increase in equity)

	2021
	£'m
Financial Assets	22.5
Net impact on Equity	22.5

Directors' Report

Impact on statement of profit or loss (increase in profit)

	2021 £'m
Financial Assets at FVTPL – net change in fair value	22.5
Net impact on profit for the year	22.5

Financial risk management

The Company's principal financial instruments, other than derivatives, comprise cash and short-term deposits including cash pooling facilities, overdrafts and short-term borrowings. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as trade debtors and trade creditors, which arise directly from its operations. The Company also enters into forward currency contracts and interest rate swaps where appropriate in order to manage currency risks arising from the Company's operations and its sources of finance.

The Company manages the exposure to interest rate risk, liquidity risk, foreign currency risk and credit risk as follows:

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates to its cash and short-term deposits, and overdraft and short-term borrowings, all of which have floating interest rates. The Company actively participated in the Group's cash pooling scheme and borrowings and cash deposits are subject to interest rates set by Group treasury, considered to be on an arms-length basis.

Liquidity risk

The Company has access to borrowing facilities provided by ALSTOM Holdings SA, which ensures that the Company always has immediate access to cash funds in order to settle its liabilities as they fall due.

Foreign currency risk

The Company has transactional currency exposures arising from sales and purchases with suppliers and customers in currencies other than the functional currency. The ultimate parent company requires all its subsidiaries to use forward currency contracts to eliminate currency exposures on all transactions in excess of €100,000 once the Company has entered into a firm commitment for a sale or purchase. Forward currency contracts must be in the same currency as the hedged item. It is the Company's policy not to enter into forward contracts until a firm commitment is in place with the below exception.

The Company takes out derivative positions called "Hedge on Behalf of" (HOBO) for certain other legal entities within the Alstom group. AESL is the legal counterparty to the derivative positions and carries the risk and rewards. AESL takes these positions out on behalf of other group entities to take advantage of trading facilities it has in place with UK counterparties and to keep in line with the ultimate parent company requirement that all its subsidiaries are to use forward currency contracts to eliminate currency exposures on all transactions in excess of €100,000. AESL does not have any 'back to back' relationship with related group parties and is therefore exposed to the gross derivative risk. The derivatives are recognised and classified as held for trading. Any fair value gains and losses are therefore accounted for directly in the income statement.

Credit risk

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

Employee involvement

We recognise that our employees are key to the success of the Company, and are committed to ensuring their engagement and involvement. Company policy is to use the consultative procedures agreed with its staff and elected representatives

Directors' Report

Employee involvement (continued)

to ensure information and views are exchanged and employees are aware of the progress of the Company and the economic and financial factors that affect it.

As well as written communications such as newsletters and notices, the intranet provides access to a vast amount of information relating to the Group's activities around the world.

Each business unit ensures face-to-face communication exists at every level of the organisation. Employees are encouraged to discuss any issues with management at any time, and team briefs, site communication events, and specific employee feedback sessions are arranged to inform employees on the progress of the Company and to allow employees the chance to discuss issues that matter most to them.

Equal opportunities

The Company is committed to achieving a balanced and diverse workforce and pursues an equal opportunities policy through all areas including recruitment and selection, training and development, performance reviews, succession planning and promotion, and ultimately retirement. It is our policy to ensure all employee related decisions are made on the basis of merit and capability regardless of religion, race, nationality, ethnic origin, gender, sexual orientation, marital status, age or disability.

Applications from disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. Where existing employees become disabled, every effort is made to ensure continuity of employment, actively looking to adjust their environment where practicable, and providing training and career development to allow them to maximise their potential.

Directors and indemnity arrangements

The directors, who served during the year, and subsequent changes, are noted on the Company Information page.

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

Disclosure of information to the auditors

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

Events since balance sheet date

As described in the section 'foreign currency risk' above and also in note 26, AESL takes out derivative positions called "Hedge on Behalf of" (HOB0) for certain other legal entities within the Alstom group. Post year end due to a change in the hedging strategy of one of these entities there were cancellations of these hedges with a value of €101 million. This will result in a charge to the income statement in the region of €40 million in the financial year ended 31 March 2024.

Stakeholder relationships and engagement

This is covered in the Strategic Report.

Benefits of directors

This information is disclosed in Note 7 (page 41) to the financial statements.

On behalf of the Board



Stuart MacLeod

Director

28-Jul-2023

Strategic Report

The Directors are pleased to present their Strategic Report for the 15 months ended 31 March 2023.

Principal activity and business review

The Company's principal activity during the year continues to be that of:

- the manufacture of railway rolling stock and components;
- the service and maintenance of railway rolling stock and components;
- the design and integration of transportation systems, its products encompassing complete transit systems and security solutions; and
- the design, development, manufacture and installation of signalling equipment and systems for railways, equipment process control schemes and industrial telemetry equipment.

The Company continues to focus on developing an innovative product portfolio.

Results for the year

Revenue for the 15 month period was £1,592.2m (year ended 31 December 2021: £427.6m) and the loss for the period after taxation was £11.8m (2021: loss as restated of £411.4m).

The Company's key financial and other performance indicators during the period/year were as follows:

	15 months 2023 £'m	12 months (As restated) 2021 £'m
Company revenue	1,592.2	427.6
Gross profit/(loss)	20.3	(432.6)
Total operating loss	(44.5)	(440.3)
Loss after taxation	(21.8)	(411.4)
Current assets as % of current liabilities	101%	96%
Average number of employees	3,747	3,827

Revenue increased significantly and the operating result was dramatically improved compared to the prior year due to the stabilisation, both operationally and financially, of a number of significant contracts predominantly in Rolling Stock. The Company's services business remains strong. Prior year revenue was depressed in Rolling Stock as a consequence of the impact of back-trading of financial degradation on projects as shown in note 4.

The majority of Rolling Stock revenue in the current year arises on delivery of the Aventura-platform contracts. These contracts involve significant judgements in terms of projecting total contract costs with a direct consequential impact on margin. However, in addition, the Company acts as the principal contractor on certain overseas turn-key contracts which make up around one-quarter of the Rolling Stock revenue as shown in note 4. On such contracts the Company earns margin on a cost-plus basis.

The financial outlook for the Company is more positive as projects stabilise further. Initially, as the delivery of Aventura comes to a conclusion, the Company's revenue will shift towards being more heavily weighted towards maintenance contracts (Services), which management consider will have a healthy margin, and contribute to strong future profitability.

In the longer-term, the next generation of Britain's high speed trains (54 trains for HS2) will be built and delivered by a joint venture between Alstom and Hitachi, at the Company's site in Derby.

Management is continuing its commitment to address costs across the organisation and improve the risk management throughout the execution of the contracts.

Strategic Report

Results for the year (continued)

The current year results were positively impacted by a profit of £39.9m on the disposal of shares in subsidiaries. Dividends were also received amounting to £105.1m. The Company recorded a £70m charge on impairment of investments in subsidiaries, and a £50.1m loss representing the net change in fair value of financial assets carried at FVTPL.

At the balance sheet date, the Company had net assets of £61.4m, a significant increase over the prior year (equity deficit of £229.3m). The balance sheet was boosted by a recapitalisation through an issue of new shares of £252m during the period.

The Company's "current ratio" (current assets as a percentage of current liabilities) improved compared with the previous year, and net current assets are now positive. It was particularly boosted by the recapitalisation.

The average number of employees (this definition includes contractors) of 3,747 has reduced slightly compared with the average number employed at the end of 2021 of 3,827. The decrease is as a result of the Company flexing to meet demand. The Company continues to review the indirect cost base in order to improve efficiency but remains committed to retaining key talents particularly in engineering and project management.

Risk Management

Our activities are of vital importance and business critical to all our customers, and we work in a highly regulated and increasingly complex environment. As Directors, we continually evaluate the risks we face and develop appropriate solutions. Further details of risks are described in the Strategic Report and the Directors' Report.

Business risk

Like most businesses, there are a range of risks and uncertainties facing the Company and the matters described below are not intended to be an exhaustive list of all possible risks and uncertainties. We apply risk assessment and mitigation practices throughout the business, to reduce the nature and extent of our risk exposure to an acceptable level.

Key business risks include:

- the ability to source new contracts, which is in part dependent on future government spending and environmental policies;
- product performance;
- supply chain performance and sourcing risks;
- legislative and regulatory pressures; and
- risks related to individual project contracts, terms & conditions, and contract delivery schedules.

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

Execution risk

The Company proactively seeks to address execution issues on rolling stock contracts by increasing the level of upfront R&D and creating a centralised product design and development function, which will bring together customers, suppliers and partners to develop pioneering technologies. These measures will reduce execution risk by increasing product standardisation, and the use of proven technologies and processes across contracts.

Economic environment and future developments

The rail market continues to be resilient despite the lasting impact of Covid 19, particularly on passenger numbers.

There are numerous opportunities in the sector going forward as part of the UK re-franchising programme and the significant investment planned in the rail market. Fleet maintenance activities form a substantial part of the UK business and in line with the Company's strategy to focus on whole life cost of our rolling stock, forms an integral part of the Company's product offering. The Company has invested significantly at various services locations with new vehicle inspection facilities in several sites. The Signalling Division is operated as a global business. Our operation in Plymouth is engaged in a number of contracts primarily for the supply of railway signalling equipment and software for level crossings.

Strategic Report

Research and development

The Company funds advanced engineering and product development programmes which seek to develop product applications for specific market opportunities. Throughout this period the Company continued to make substantial investment in the Aventura product platform for new rolling stock and a high-speed train for the UK.

Section 172 (1) (a) to (f) and stakeholder engagement

The Directors have acted in a way that they considered, in good faith, to be the most likely to promote the success of the company for the benefit of its members as a whole and in doing so have regard to (amongst other matters):

- a) The likely consequence of any decisions in the long term;
- b) The interest of the Company's employees;
- c) The need to foster the Company's business relationships with suppliers, customers and others;
- d) The impact of the Company's operations on the community and the environment;
- e) The desirability of the Company maintaining a reputation for high standards of business conduct; and
- f) The need to act fairly between members of the Company.

Engagement with our shareholders and wider stakeholder groups plays a vital role throughout the business. By understanding our stakeholders, the board factors into boardroom discussions the potential impact of our decisions on each stakeholder group and considers their broad range of interests.

Shareholders

All of the Company's shares are held entirely by an intermediate Group as set out in Note 29. Dividends were not paid during the year.

ALSTOM Group

ALSTOM SA is the Company's ultimate parent and shareholder and a key stakeholder in our business. ALSTOM is a global leader in the transportation industry creating and delivering innovative trains and the service and maintenance of railway rolling stock. The Group provided the Company with head office functions such as financial consolidation, legal, pension, treasury and insurance services.

Colleagues

Our people are our most valuable assets, their knowledge and expertise make a critical difference to our success and our investment in them protects and strengthens our culture. We have an established approach to engaging colleagues to ensure we take their perspectives into account in our decisions and action plans and share with them our strategy and progress.

The Company employs more than 3,700 employees (this definition includes contractors) across our multiple and widespread UK sites in the engineering, manufacture and maintenance of railway rolling stock. Our success relies upon the quality and engagement of our people, both permanent and agency workforce, and developing the skills and opportunities for our workforce is of paramount importance. Further employee details can be found on pages 6 and 7.

Across all of our UK sites, regular and open communication is shared with employees. This was particularly important during the Covid 19 pandemic. We also support ethics and compliance training for all levels of the organisation. We utilise email broadcasts to communicate relevant and timely information to our employees. Clear and regular communication provides employees of the Company with the information that allows them to manage day to day business in line with the overall objectives of the global organisation.

Our apprenticeship programme has been running successfully for many years with ongoing development of our programme resulting in tangible outcomes for our apprentices, industry and diversity. We are increasing the numbers of UK apprenticeships each year working towards closing the skills gap our industry faces, supporting our projects and championing diversity in apprenticeships.

Strategic Report

Colleagues (continued)

As railway technology is changing, new trains are becoming more complex; we work towards attracting diverse candidates developing our apprenticeship programmes accordingly. We have recruited additional Level 4 higher apprenticeships into our Engineering function for the first time which we recognise will attract candidates from a wider more diverse talent pool. In addition, the Trailblazer qualification is being championed. This allows entry at Level 2 and progresses all the way to a master's programme via the new Level 4-7, again opening up a range of lower and higher levels to attract candidates from diverse backgrounds.

Suppliers

Our suppliers add real value to our rail solutions and our services business. We partner with a wide range of suppliers from small businesses to large multinational companies. Together we share a commitment to excellence and focus on providing a great customer experience. The procurement team maintains close relationships with our supplier base actively engaging with them on a regular basis and encouraging them to comply with regulatory, industrial and technological requirements and look to them for high standards for social, environmental, and ethical impact.

Customers

At the core of our business strategy is delivery of excellent services to our customers, fostering strong relationships, developing open channels of communications through both face to face meetings and clear written correspondence, listening to feedback and striving for continual approval.

Government and regulators

The Directors recognise the importance of engagement with the UK Government, and very regularly engages with the Department for Transport (DfT - responsible for the rail industry as a whole), the Department for Business, Energy & Industrial Strategy (BEIS – responsible for the rail industry supply chain), the Department for International Trade (DIT – responsible for exports and the UK Export Finance), the Infrastructure & Projects Authority (IPA) and less regularly with the Treasury and with No10 Downing Street. This contact is in addition to our engagement with UK public sector customers including Transport for London, Crossrail Ltd and HS2 Ltd.

Through our membership of the Rail Industry Association and Rail Forum Midlands we have attended frequent Teams calls and virtual roundtables, and in addition, we engage fairly frequently with members of the Shadow Cabinet, with local MPs, with MPs with a rail or manufacturing interest, and with local Councillors and other local and regional stakeholders.

Environment, Health & Safety (“EHS”)

Alstom Engineering and Services Ltd 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. There are various initiatives designed to minimise the Company's impact on the environment. Our Environment Management System is accredited to the ISO14001:2015 Standard.

This is the third year of compulsory reporting under the Streamlined Energy and Carbon Reporting (SECR) policy. This reporting framework extends the scope of mandatory carbon reporting which is enforced through the Companies (Director's Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

The table below outlines the carbon emissions created by the Alstom Engineering and Services Ltd during the period January 2022 to March 2023 (15 months):

Strategic Report

		unit	% estimated	CURRENT REPORTING PERIOD	PREVIOUS REPORTING YEAR	
				15 Months Jan 22 to Mar 23	FY21 (12 months)	
ENERGY CONSUMPTION AND ASSOCIATED EMISSIONS	Scope 1	Gas	(kWh)	0.2%	42,889,076	32,015,925
			(t CO ₂)		7,828.97	5,886.768
		Gasoil	(kWh)	0.0%	1,217,438	1,267,592
			(t CO ₂)		312.638	325.396
		LPG	(kWh)	0.0%	2,053,755	739,074
			(t CO ₂)		440.469	162.247
	Acetylene	(kWh)	0.0%	1,065	1,098	
		(t CO ₂)		0.259	0.267	
	Kerosene	(kWh)	0.0%	21,188	30,841	
		(t CO ₂)		5.228	7.621	
	Scope 2	Electricity	(kWh)	0.0%	29,797,870	34,054,530
			(t CO ₂)		5,762.312	5,530.023
	Purchased 100% Green Tariff	(kWh)	0.0%	As above	As above	
		(t CO ₂)		0.000	0.000	
Scope 3	Business travel	(kWh)	49.4%	2,362,196	1,274,386	
		(t CO ₂)		590.667	307.942	
Total		(kWh)	1.7%	78,342,588	59,048,669	
		(t CO ₂)		14,940.543	12,218.822	
Intensity	Hours Worked - January 2022 to March 2023 (15 Months)			7,092,900	5,417,596	
	Scope 1 & 2 Emissions tCO ₂ e			14,350	11,912	
	Energy Intensity Scope 1 + 2 - (tCO ₂ e/Hours Worked)			0.00202	0.00220	

Methodology applied to above figures

The displayed Gas, Electricity and Water consumption data is taken from the Alstom internal reporting system which takes data from monthly invoices and where possible supported by meter readings. Company and personal mileage is taken from data held within Alstom's internal expenses system and fuel cards. The carbon emission factors are taken from the DEFRA carbon emission factors for the respective years (2021 & 2022). The chosen Intensity factors are based on Alstom's 2025 strategy where hours worked are used (Alstom and Contract staff), Tonnes of Carbon (tCO₂e) per mile was a satisfactory factor to use for travel. The figure for Electricity is reported as both gross and net where it is displayed as 0 as Alstom consumes 100% certified green electricity within the UK, we report the gross figure to ensure continual improvement and reductions in electricity consumption.

The Alstom 2025 AIM (Alstom in Motion) strategy has set a series of objectives centered around energy usage and carbon reduction.

To reduce the carbon used by our facilities during the period, the Company has implemented a series of recommendations from our carbon reduction plan and further carbon reduction initiatives are in place to improve our carbon performance over the coming year. These include, but are not limited to:

- The Alstom 2025 strategy has set a target for 10% self-production of energy at all of our sites. This is currently being scoped within the UK. A deployment of Solar PV projects is planned to begin in 2023 with installation to follow in 2024;
- Implementation of a full overhaul of our lighting systems with deployment of LED fittings and building management systems, PIR and pressure sensors to optimise our energy usage and reduce maintenance on the lighting systems;
- There is a drive within Alstom to reduce our dependence on Gas consumption given the current global situation and rising costs and scarcity of resources. Alstom are planning to interlock the doors of our traincare maintenance depots to the heating system. This will give instant payback where the heating system will switch off if the main doors are opened. Other initiatives such as heat pumps and solar heating are being explored where we have sole control of our sites and payback periods align with contract lengths. During 2022/23, activity at our sites remained stable and our hours worked had a slight increase and our gas consumption reduced by nearly 20% through efficiencies elsewhere giving an overall decrease in our scope 1&2 carbon intensity per hours worked;

Strategic Report

- Alstom has had its near-term science-based emissions targets validated by the Science Based Targets initiative (SBTi) as consistent with the levels required to meet the goals of the Paris agreement. The SBTi has validated the corporate greenhouse gas emissions reduction targets submitted by Alstom as compliant with its criteria and recommendations (version 4.2). The SBTi's validation team has classified Alstom Group's scope 1 and 2 target ambition and has determined that it is in line with a 1.5°C trajectory;
- We continue to evolve the branded fleet beyond our bespoke PHEV vehicles. These have reduced our carbon emissions by over 75g CO₂e/km with charging points being installed as part of the lease package to further encourage our staff to maintain the charge. We have taken this to our on-site plant such as forklifts and telehandlers which are now either hybrid or full EV;
- An overhaul of our company cars has produced an average reduction of 40g CO₂/km. We are now able to offer full electric cars at all pay grades enabling our staff to find the low carbon option which suits their travel patterns;
- The installation of charging points at our fixed sites is planned for 2023/24 and this will provide the infrastructure to reduce the use of fuel within our vehicles;
- Our project sites are transferring to fully electrified plant, removing the dependence on diesel, transferring sites where we are not able to gain a grid connection using HVO fuel or renewables to power activities;
- The Company has used 100% green certified electricity from UK sources since 2017. This contributes to a global Alstom objective to use 100% green energy throughout the Company by 2025;
- Crewe, Derby, Plymouth and Sutton have continued their roll-out of energy-efficient LED lighting;
- Central Rivers' electric vehicle charging points have been in use, for both business and personal use;
- Ilford and Old Oak Common have continued to harvest solar energy from their photovoltaic panels;
- Chingford, Old Oak Common and Sutton-in-Ashfield sites are recently built; their design incorporated many energy-efficiency measures from the outset, with no scope for further measures for FY2022;
- Brighton has recently undergone significant refurbishment / upgrade, which included a number of energy-efficiency measures; no further measures were taken during FY2022;
- Crofton belongs to Network Rail and is on a 3-monthly rental agreement with limited scope for further energy-efficiency measures; and
- 2023 sees Alstom participate in Phase 3 of ESOS with energy surveys planned for Q3 through an external consultant. The recommendations arising from the process will be applied to our sites and we will undertake initial audits of our sites with a view to implementing an ISO50001:2018 Energy Management System at selected UK sites for the first time.

Section 172 (2) Principal Decisions

We continued to integrate the legacy Alstom and legacy Bombardier businesses in the UK on all fronts during the current period, to benefit from synergies. The inevitable impact on our people of this integration meant that regular communication of ongoing changes, and the flexibility expected of our people remained of paramount importance. The Directors have decided that whilst our UK business now operates as "one business" operationally, in order to realise these synergies, there will be no plan in the short-term to combine the activities of this Company and those of our fellow subsidiary, ALSTOM Transport UK Limited from a legal perspective.

In order to improve the financial position of the Company, during the year, the Directors took the decision to request a recapitalisation of the Company and issued 252m new £1 ordinary shares which were subscribed for by its parent company.

Strategic Report

Corporate Governance Code

The Company has enhanced its governance framework and approach by adopting the Wates Corporate Governance Principles for Large Private Companies issued by the Financial Reporting Council. The Company's compliance with these principles during the 15 month period ended 31 March 2023 is outlined below, and should be read in conjunction with the Directors' Section 172 statement and the Directors' report and Strategic Report more generally:

Purpose and Leadership – *An effective Board develops and promotes the purpose of a Company and ensures that its values, strategy and culture align with this purpose*

The Company's ultimate shareholder, ALSTOM SA has adopted its "Alstom in Motion" strategy which aims for the Group to lead the way to greener and smarter, mobility worldwide.

With the widest geographical reach and most comprehensive portfolio of the industry, Alstom is in a unique position to respond to the unprecedented need for sustainable mobility. The Alstom in Motion (AiM) 2025 strategic plan is built on proven AiM strategy and significantly enlarged Group profile to include Bombardier, acquired on 29 January 2021. The Group aims to further grow leveraging on its reinforced product lines and geographical presence, commits to accelerate smart and green mobility innovation with important R&D investments, and will extend its operational excellence efforts to a new scale.

The Company as a subsidiary of ALSTOM SA, has adopted the AiM strategy and is geared towards achieving the same objectives and adopting the same core values.

The Environment and Health & Safety are key priorities for the business.

The Company's Purpose and its Values are communicated actively by the Board and Senior Leadership Team through direct channels of communication between Directors and the workforce, and through the adoption and promotion of the Group's policies, procedures and standards. This includes but is not limited to Alstom's safety standards and its Anti-Bribery & Corruption, Anti-Bullying and Harassment, Anti-Slavery and Human Trafficking and Whistleblowing policies, in addition to the Company's focus on dealing fairly with employees and suppliers. The Board monitors the Company's culture to assess with it is in line with the Group's AIR Values (Agile, Inclusive, Responsible) which enables this Company and the Group overall to achieve its strategy and objectives.

Further details on Employee Involvement and engagement and Equal Opportunities are set out in the Directors' Report.

Board Composition – *Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company*

As might be expected given that the Company's acquisition by the ALSTOM group is still relatively recent (29 January 2021), there have been more changes to the Board's composition in the current year. It also reflects an aim to ensure that the Board is comprised of senior experienced individuals who represent all of our businesses (Rolling Stock, Services and Signalling) as well as significant functions. Since July 2022, the Board has comprised of eight individuals who hold senior roles in the management and operation of the Company. This includes the UK Managing Director, UK Finance Director, UK Head of Legal and EHS Director, each of whom also serve on the Boards of several other UK Group companies.

All of the Directors are able to demonstrate a wide range of skills, knowledge and experience and collectively are able to contribute in a valuable way to the making of decisions through engaging in debate through bringing their own different perspectives, both formally in Board meetings and in their roles in the wider Senior Leadership Team (SLT), who held regular formalised meetings focused on the effective running of the Company.

The SLT also comprises a wider audience, including senior leaders of other functions within the business who are not formally appointed as Board Directors.

Strategic Report

Each of the Directors are employed full time by the business and do not hold employment or engagements outside of the Company. As such, they have the appropriate time to commit to ensuring that they properly fulfil their responsibilities as Directors and contribute to the effective running of the Company.

They are supported and complemented by individuals at an ALSTOM Group level who offer valuable assistance and insight as appropriate, reflecting the Company's place in the wider Group.

In light of the size of the Company and scale and nature of its operations, the size and composition of the Board is considered appropriate at the current time.

Directors' Responsibilities – *The board and individual directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision making an independent challenge*

The Company's governance framework and approach to governance guides the Directors on their legal responsibilities and accountability to deliver value for the Company's shareholder, after taking into account the interests of all stakeholders. The papers presented to the Board and provided in a timely fashion in advance of meetings, and this enables that they can be read and properly digested in advance of the meetings themselves to ensure that all Directors can properly and most effectively contribute. Open dialogue and debate at Board meetings is firmly encouraged, and this ensures that the most appropriate decisions are reached in a timely manner.

The Company offers and actively encourages Directors to receive training on their responsibilities as Directors.

Opportunity and Risk – *A board should promote the long-term sustainable success of the Company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks*

The Company's approach to governance promotes the identification of both opportunities and risks through the open debate and challenge it encourages.

The Company's "Senior Leadership Team" comprises of statutory Directors, including the UK Managing Director and UK Finance Director, and functional heads across the business. This team plays an integral role in identifying and exploiting opportunities, and identifying risks and developing plans to address them. The Company has developed a risk register which is regularly reviewed. The Company is obliged to and welcomes the opportunity to share details of risks and opportunities with its parent company, so that it can be appropriately challenged and supported.

Remuneration – *A Board should promote executive remuneration structures aligned to the long term sustainable success of a Company, taking into account pay and conditions elsewhere in the Company*

In addition to competitive base pay levels and appropriate benefits, the Company's senior personnel are eligible to receive bonuses. These are based on individuals' successful completion of their formalised objectives set at the start of the year, along with the Alstom Group's achievement of financial and other targets.

In addition, certain of the Company's senior persons are eligible to participate in share option schemes operated by the Group.

The Company's executive remuneration policy takes into account the pay and conditions of the Company's wider workforce, as well as the respective levels of responsibility held by managers and other members of the workforce.

Stakeholder relationships and engagement – *Directors should foster effective stakeholder relationships aligned to the Company's purpose. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions*

Strategic Report

The Company works proactively in partnering with its principal stakeholders, understanding their priorities and developing strong relationships and trust. Investment in these relationships helps the Company deliver its strategy and objectives more effectively. Further details on how the Company has engaged with its stakeholders are set out in the Company's Section 172 (1) statement on pages 10 and 11.

On behalf of the Board



Stuart MacLeod
Director

28-Jul-2023

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report, Strategic Report and the Financial Statements in accordance with applicable UK law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless they consider that to be inappropriate.

The Directors are 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.

Qualified Opinion in respect of the comparative period

We have audited the financial statements of Alstom Engineering and Services Limited (the 'company') for the 15 months ended 31 March 2023 which comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Balance Sheet and the Statement of Changes in Equity 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, except for the effects of the matter described in the "Basis for Qualified Opinion" section of our report, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its loss for the 15 month period then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Qualified Opinion in respect of the comparative period

The audit report on the prior period financial statements (year ended 31 December 2021) included a disclaimer of opinion in respect of the Statement of Profit or Loss, Statement of Comprehensive Income and Statement of Changes in Equity. This arose as a consequence of the audit report for the preceding period (year ended 31 December 2020) including a disclaimer of opinion and the consequential impact on opening contract related balances for the year ended 31 December 2021.

Hence the audit opinion on the Statement of Profit or Loss, Statement of Comprehensive Income and Statement of Changes in Equity for the 15 month period ended 31 March 2023 is qualified because of the effects or possible effects of the matters giving rise to the disclaimer of opinion on the corresponding figures on the comparability of the current period's figures and the corresponding figures.

An unqualified opinion was given on the Balance Sheet as at 31 December 2021 and on the Balance Sheet as at 31 March 2023.

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 qualified opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our audit procedures to evaluate the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Evaluating the directors' method to assess the company's ability to continue as a going concern;
- Reviewing the directors' going concern assessment, which considered severe but plausible scenarios;
- Obtaining and inspecting a letter of support obtained from ALSTOM Holdings;
- Evaluating the key assumptions used and judgements applied by the directors in forming their conclusions on going concern; and
- Reviewing the appropriateness of the directors' disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Directors' Report, Strategic Report and Financial Statements for the 15 months ended 31 March 2023 other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Directors' Report, Strategic Report and Financial Statements for the 15 months ended 31 March 2023. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Independent Auditors' Report to the Members of ALSTOM Engineering and Services Limited

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the 15 month period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

Except for the matter described in the "Basis for Qualified Opinion" section of our report, 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 strategic report or 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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 17, 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

Independent Auditors' Report to the Members of ALSTOM Engineering and Services Limited

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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, and the bribery act.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as such as tax legislation, pension legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates. In particular we evaluate the accuracy of revenue recognition on long term contracts relating to the significant fraud risk on revenue recognition, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

Independent Auditors' Report to the Members of ALSTOM Engineering and Services Limited

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. This description forms part of our auditor's report.

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.

Tim Hudson

Tim Hudson (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

One St Peter's Square, Manchester, M2 3DE

28-Jul-2023

Statement of Profit or Loss

For the 15 months ended 31 March 2023

	Note	15m 2023 £'m	12m 2021 (As Restated)* £'m
Revenue	4	1,592.2	427.6
Cost of sales		(1,571.9)	(860.2)
Gross profit/(loss)		20.3	(432.6)
Net administrative expenses		(64.8)	(49.6)
Profit on disposal of intangible fixed assets	13a	-	41.9
Operating loss before investment income, interest and taxation	5	(44.5)	(440.3)
Interest receivable	9	0.4	-
Interest payable and similar charges	10	(21.5)	(7.0)
Financial assets at fair value through profit and loss (FVTPL) – net change in fair value		(51.1)	22.5
Other finance income	11	7.6	1.4
Profit on sale of investments in subsidiaries	14	39.9	-
Impairment of investments	14	(70.0)	-
Income from shares in group undertakings		105.1	4.8
Loss before taxation		(34.1)	(418.6)
Taxation credit on loss	12	12.3	7.2
Loss after taxation	22	(21.8)	(411.4)

The notes on pages 28 to 62 form part of these financial statements.

* See Note 30

Statement of Comprehensive Income

For the 15 months ended 31 March 2023

	Note	15 months 2023 £'m	12 months 2021 (As Restated) £'m
Loss for the financial year	22	(21.8)	(411.4)
Other Comprehensive Income			
Items that cannot be reclassified to profit or loss:			
Actuarial gain recognised on defined benefit pension schemes	22,24	48.0	225.0
Items that can be reclassified to profit or loss:			
Gains/(losses) on cash flow hedges taken to equity	22	6.6	(11.0)
Cash flow hedges recycled through the profit and loss account	22	5.9	0.6
Other Comprehensive profit/(loss) for year net of tax		60.5	214.6
Total Comprehensive profit/(loss) for year net of tax		38.7	(196.8)

The notes on pages 28 to 62 form part of these financial statements.

Statement of Changes in Equity

For the 15 months ended 31 March 2023

	Equity share capital	Cash flow hedge reserve	Net unrealised losses reserve	Retained (losses)/ earnings	Total equity
	£'m	£'m	£'m	£'m	£'m
At 1st January 2021	94.8	(4.9)	(0.7)	(121.7)	(32.5)
Reclassification			0.7	(0.7)	
Loss for the year restated	-	-	-	(411.4)	(411.4)
Other comprehensive profit/(loss)	-	(10.4)	-	225.0	214.6
Restated balance at 1 January 2022	94.8	(15.3)	-	(308.8)	(229.3)
Share issue (note 21)	252.0	-	-	-	252.0
Loss for the year	-	-	-	(21.8)	(21.8)
Other Comprehensive profit/ (loss)	-	12.5	-	48.0	60.5
At 31 March 2023	346.8	(2.8)	-	(282.6)	61.4

The notes on pages 28 to 62 form part of these financial statements.

Balance Sheet

	<i>Note</i>	2023 £'m	2021 (As Restated) £'m
Fixed assets			
Intangible assets	<i>13a</i>	-	-
Tangible Fixed Assets	<i>13b</i>	53.7	58.8
Right of Use Assets	<i>13c</i>	6.1	8.4
Investments	<i>14</i>	40.1	98.5
		<u>99.9</u>	<u>165.7</u>
Current assets			
Stocks	<i>15</i>	1,347.2	855.0
Trade and other receivables due after one year	<i>16a</i>	42.7	42.7
Trade and other receivables due within one year	<i>16b</i>	357.7	598.9
Trade and other receivables		400.4	641.6
Cash at bank and in hand		-	5.9
		<u>1,747.6</u>	<u>1,502.5</u>
Creditors: amounts falling due within one year	<i>17</i>	<u>(1,726.1)</u>	<u>(1,557.2)</u>
Net current assets/(liabilities)		21.5	(54.7)
Total assets less current liabilities		<u>121.4</u>	<u>111.0</u>
Creditors: amounts falling due after more than one year	<i>18</i>	(11.6)	(16.6)
Provisions for liabilities	<i>20</i>	(270.8)	(488.1)
Net (liabilities)/assets before net pension deficit		<u>(161.0)</u>	<u>(393.7)</u>
Net pension surplus	<i>24</i>	222.4	164.4
Net assets		<u>61.4</u>	<u>(229.3)</u>
Capital and reserves			
Called up share capital	<i>21</i>	346.8	94.8
Other reserves	<i>22</i>	(2.8)	(15.3)
Retained (losses)/ earnings	<i>22</i>	(282.6)	(308.8)
Shareholders' deficit		<u>61.4</u>	<u>(229.3)</u>

The notes on pages **28 to 62** form part of these financial statements.

These Financial Statements were approved and authorised for issue by the board of directors and were signed on its behalf by:



Stuart MacLeod
Director

28-Jul-2023

Registered number: 02235994

Notes to the Financial Statements

Contents

1. Authorisation of financial statements and compliance with FRS 101	28
2. Accounting policies	28
3. Changes in accounting policies	39
4. Revenue	40
5. Operating loss	40
6. Auditor's remuneration	40
7. Directors' emoluments	41
8. Staff costs	41
9. Interest receivable	41
10. Interest payable and similar charges	42
11. Other finance income	42
12. Taxation on (loss)/profit	42
13. Fixed assets	44
14. Investments – non-current	45
15. Stocks	47
16. Trade and other receivables	48
17. Creditors: amounts falling due within one year	48
18. Creditors: amounts falling due after more than one year	49
19. Lease Liabilities	49
20. Provisions	50
21. Share capital	51
22. Reserves	52
23. Capital commitments	53
24. Retirement benefit schemes	53
25. Related parties	59
26. Financial instruments	60
27. Contingent Liabilities	61
28. Post Balance sheet events	62
29. Parent Company	62

Notes to the Financial Statements (continued)

1. Authorisation of financial statements and compliance with FRS 101

The financial statements of ALSTOM Engineering and Services Limited (the "Company") for the 15 months ended 31 March 2023 were authorised and issued by the board of directors as indicated on page 26.

ALSTOM Engineering and Services Limited is incorporated and domiciled in England and Wales. The Company is privately held and limited by shares. Its registered office is Litchurch Lane, Derby, DE24 8AD.

These financial statements are presented in Sterling, which is also the functional currency of the Company, and all values are rounded to the nearest million pounds, except where otherwise stated.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable UK accounting standards and the Companies Act 2006.

The Company has taken advantage of the exemption from the requirement to prepare group accounts by virtue of Section 401 of the Companies Act 2006, as the Company is a wholly owned subsidiary. These financial statements therefore present information about ALSTOM Engineering and Services Limited as an individual undertaking and not about its Group.

The Directors have considered the disclaimer of opinion in relation to "contract costs" as expressed by the auditors in their audit report on the 2020 financial statements and determined that no adjustments were required to be made in this respect in these financial statements.

The principal accounting policies are set out in note 2. The Financial Statements are prepared on a going concern basis.

2. Accounting policies

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value, and in accordance with applicable International Financial Reporting Standards.

FRS 101 permits that the statement of profit or loss and balance sheet are presented in the format requirements of the Companies Act 2006, rather than the requirements of International Accounting Standard (IAS) 1 - Presentation of Financial Statements.

A summary of the disclosure exemptions adopted for the period ended 31 March 2023 is presented below. Equivalent disclosures for share based payments and financial instruments are included in the ALSTOM Group consolidated financial statements allowing the exemptions to be applied.

Area	Disclosure exemption
Cash flow statements	Complete exemption from preparing a cash flow statement.
Share-based payments	Exemption from disclosure of financial information as required by paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment, as the share-based payments concern the instruments of another group entity.
Financial instrument disclosures	Exemption from the disclosure requirements of IFRS 7 (Financial Instruments) and related IFRS 13 disclosures. Disclosures in respect of management's objectives, policies and processes for managing capital (IAS1.134 to 136).

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Area	Disclosure exemption
Revenue from contracts with customers	Exemption from the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
Related party disclosures	Exemption from disclosure of related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to a transaction is wholly owned by such a member. Exemption from disclosure of key management personnel compensation.
Comparative information	Exemption from disclosure of comparative information for movements in share capital, tangibles, intangibles and investment property.
Presentation of Financial Statements	Exemption from statement of compliance with IFRS, cash flow information and capital management policy.
Accounting Policies, Changes in Accounting Estimates and Errors	FRS 101 paragraph 8(i) states that a qualifying entity is exempt from the IAS 8 requirement to disclose details of a new IFRS which has been issued but is not yet effective and has not been applied by the entity. IAS 8 paragraphs for which exemption is available: 30 and 31.

Going concern

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

The Financial Statements have been prepared on a going concern basis, which assumes the Company will continue in operational existence for the foreseeable future.

The Directors have undertaken a rigorous assessment, considering the current level of borrowings, and future cash needs through to 31 March 2026, by considering the Company's 3-year plan and the future evolution and growth of the Company's business.

The balance sheet at 31 March 2023 shows net assets of £61.4m. This represents a significant increase over the year ended 31 December 2021 which had net liabilities of £229.3m, the increase principally due to a re-capitalisation of the Company during the period for an amount of £252m as described in note 21. Net current assets were positive at the end of the period.

The balance sheet includes Borrowings (on the current account, part of Alstom's cash pooling arrangements) of £222.5m (2021: £267.4m). It should be noted that the Company, per the terms of the Treasury management agreement it has entered into is able to access funds through the cash pooling facility, without needing to apply in advance for additional funds. In this way, access to cash on a day-to-day basis is guaranteed.

The Directors have considered the trading performance of the Company in the period since 1 April 2023, and the cash and liquidity position of the business at the date of approving the financial statements.

It is clear to see that the Company has experienced significant trading losses in previous years, predominantly the result of losses being experienced on sizable rolling stock contracts, although the extent of this loss was dramatically reduced in the current period. This turnaround is a consequence of the many changes that were made both strategically and operationally in the period since ALSTOM's acquisition at the end of January 2021. Management and the Directors are now far more confident that the contracts which have experienced significant losses in previous years are under far more control and predictability, and that the Company has a positive future, with an expected return to profitability and positive cash generation. Specifically, the impact of the war in Ukraine and the associated macro-economic impacts such as the prospect of high levels of inflation have been considered. It should

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

be noted that none of the Company's contracts are directly impacted by the situation in Ukraine, and whilst the macro-economic backdrop could prove challenging for many businesses, including our own, we consider that the Company is well placed to manage the financial impact of such risks.

We are due to finish delivering the AVENTRA orderbook, totalling over 2,600 cars within financial year 23-24. Management are focused on the close monitoring of and the mitigation of any risks concerning reliability, the finalisation and customer acceptance of the remaining cars, and the consequential financial impacts of such risks.

The Company manages its day to day working capital and funding requirements through inter-group loans. ALSTOM Holdings SA, an intermediate parent company has confirmed in writing that it will provide the necessary financial support to the Company to enable it to settle its liabilities as they fall due.

The period considered by management when concluding on the ability of the Company to continue operating as a going concern runs to 31 July 2024.

If management were unable to achieve the 3-year plan, we would seek to draw on further group support, and we have been given assurances that ALSTOM Holdings SA would have the ability and intent to provide such support.

As ALSTOM's Corporate Treasury vehicle, Alstom Holdings SA centralizes intragroup loans and deposits with the Group's subsidiaries. Alstom Holdings SA is the sole subsidiary of the listed company Alstom SA and the direct or indirect shareholder of all the Alstom groups' subsidiaries.

The Directors have received adequate assurances that there has been no significant deterioration in ALSTOM SA's financial strength since 31 March 2023, ALSTOM SA's most recent year end date, and up to the date of approving these financial statements.

Access to liquidity for its subsidiaries has been demonstrated over many years by an historical track record of ALSTOM Holdings SA in providing a stable access to the Cash-Pool and other funding sources to all its participants to secure the sustainability of their operations. No credit limit has been defined for the Company.

In the unlikely event that ALSTOM Holdings SA was not able to provide sufficient funding to the Company, there would be a material uncertainty over the Company's ability to continue operating as a going concern. However, this scenario is considered by the Directors to be remote.

On the basis of the above, the Company's directors believe it is therefore appropriate to prepare the financial statements on the going concern basis.

2.2 Use of estimates and judgement

The application of the Company's accounting policies requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year.

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

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Long term contracts

The reported financial performance of production and service contracts is recognised using the percentage of completion method of accounting based upon the estimated total costs to complete the contract.

Service and maintenance contracts also contain estimates for future revenue streams associated with the contracts.

Estimated revenues at completion are adjusted for claims, penalties and contract terms that provide for adjustments of prices.

Estimated contract costs at completion of the contracts include forecasts for material and labour costs. Cost estimates are based mainly on historical performance trends, economic trends, pay rise settlements and contracts with suppliers.

Recognised revenues and costs are subject to revisions as contracts progress towards completion and management perform quarterly reviews of revenues and costs on all contracts.

Provisions, including onerous contract provisions, provisions for liquidated damages and warranty are regularly reviewed by management and adjusted as necessary based on expected contract outcomes.

Further details of the accounting for long term contracts are described in note 2.3.

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 judgement 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. Further details of the deferred tax assets recognised and not recognised is included in note 12 to the financial statements.

Pension and other post-employment benefits

The costs of defined benefit pension plans are determined using actuarial valuations to measure pension and other post-employment benefit costs, assets and obligations and the company employs qualified actuaries to assist in the evaluation. The actuarial valuation involves making assumptions regarding discount rates, expected long-term rate of return on plan assets, compensation and pre-retirement benefit increases, and inflation rates, as well as demographic factors such as employee turnover, retirement and mortality rates.

Such estimates are subject to significant uncertainty and the criteria used in determining the estimates are described in the retirement benefit schemes note (note 24), along with sensitivity analysis which shows how important each of the assumptions listed above are, in determining the pension surplus/(deficit).

During the year, the Directors have also considered the impact of IFRIC14 guidance in their assessment of the rights to a pension scheme surplus and accounted accordingly.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

2.3 Significant accounting policies

Revenue recognition

Revenue is attributable to long term contracts for the manufacture, repair and maintenance of railway rolling stock and components. The Company is also involved in the design and integration of transportation systems, its products encompassing complete transit systems and security solutions, along with the design, development, manufacture and installation of signalling equipment and systems for railways, equipment process control schemes and industrial telemetry equipment.

Long term contracts

IFRS 15 Revenue from Contracts with Customers applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Revenues from long term contracts are recognised using the percentage of completion method of accounting, less any liquidated damages. Liquidated damages are penalties attributable to specific contracts and are deducted from revenues. The percentage of completion is generally determined by comparing the actual costs incurred to the total costs anticipated for the entire contract, excluding costs that are not representative of the measure of performance. The revenue from certain maintenance contracts is recognised based on an output method for maintenance and other long-term services.

As shown in note 4, revenue recognised in a financial period can be negative due to the back-trading impact on revenue recognised in prior periods, as a consequence of adjustments to the total expected out-turn on contracts.

Cost of sales of long-term contracts is established based on actual costs incurred, including materials, direct labour, manufacturing overhead costs and other costs such as warranty. If a contract review indicates a negative gross margin, the entire expected loss on the contract is included as onerous contract provisions on the balance sheet in the period in which the negative gross margin is identified.

Rendering of services

Revenue, which is stated net of value added tax, represents the value of services provided and invoiced to third parties, except in respect of long-term contracts where revenue represents the sales value of work done in the year, including estimates in respect of amounts not invoiced.

Dividends

Dividend income is recognised when the Company's right to receive payment is established.

Research and development

Expenditure on research is expensed in the statement of profit or loss in the year in which it is incurred. Development costs are included in the balance sheet as an asset only if costs can be measured reliably and it is probable that future economic benefits associated to the asset will flow to the entity. Development costs held as an asset are carried at historical cost less any accumulated amortisation.

Foreign currency translation

Transactions in foreign currencies are recorded at the spot rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of profit or loss.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset;
- The Company has the right to obtain substantially all of the economic benefits from using the asset; throughout its period of use; and
- The Company has the right to direct the use of the asset.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. The Company recognises a right-of-use (ROU) asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The estimated useful lives of ROU assets are determined on the same basis as other fixed assets. In addition, the ROU asset is periodically reduced by impairment losses where relevant.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the asset has been reduced to zero.

The Company has elected not to recognise ROU assets and lease liabilities for short term leases of assets that have a lease term of 12 months or less. The Company recognises the lease payments on these leases as an expense on a straight-line basis over the lease term.

Operating leases as a lessor

The Company recognises rental income on a straight-line basis over the period of the operating lease.

Intangible assets

Intangible assets are carried at historical cost less amortisation and any impairment.

Tangible assets

All tangible assets are initially recorded at historical cost less depreciation and any impairment.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Depreciation and amortisation

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

Tangible Assets

Freehold buildings	- over 5 to 40 years
Plant & machinery	- over 3 to 20 years
Intangible assets with a finite useful life – software and IP Pool	- over 3 to 8 years

Assets in the course of construction are not depreciated until brought into use. Repairs of assets are charged to the statement of profit or loss as incurred.

Impairment of non-financial assets

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

Non-current assets held for sale

Non-current assets identified for sale are classified as such if their carrying amount will be recovered principally through a sale rather than through continued use and;

- i. the asset is available for immediate sale; and
- ii. the sale is highly probable with the appropriate level of management committed to a plan to sell the asset.

Non-current assets held for sale are valued at the lower of their carrying value at the date they are recognised as being available for sale, or at their fair value.

Investments

Investments in associates, subsidiaries and joint ventures are stated at cost less any impairment. In accordance with IAS No. 36, the Directors consider the carrying value of investments for impairment. Any reductions in value arising from the impairment of investments are charged to the statement of profit or loss. When the Directors consider that any impairment has been reversed this is credited to the statement of profit or loss.

Stocks

Long term contract work in progress accounted for under the percentage of completion method includes materials, direct labour and manufacturing overhead as well as estimated contract margins less progress billings and advances received from customers. Work in progress related to long term service contracts includes materials, direct labour and manufacturing overhead as well as estimated contract margin less progress billings and advances received from customers.

Contract balances which are in credit due to progress billings and advances received from customers exceeding the costs incurred, are recognised as a liability within creditors. Other contract balances are recognised within stocks as an asset.

Raw materials and consumables are stated at the lower of cost and net realisable value. Cost is based on average price and includes all costs incurred in bringing each product to its present location and condition.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Trade and other debtors

Trade debtors, which generally have 30 – 90-day terms, are recognised and carried at the lower of their original invoice value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when in line with the Expected Credit Loss method prescribed by IFRS 9. Balances are written off when the probability of recovery is assessed as being remote.

IFRS 9 requires the company to apply an expected credit loss impairment model that requires more timely recognition of expected credit losses. The standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

We have not included IFRS7 disclosures for ECL on inter-company receivables, as all Group entities have access to Alstom cash-pooling facilities.

Cash and cash equivalents

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 and Deferred taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the statement of profit or loss.

Deferred taxation is recognised in respect of all temporary differences that have originated but have not been reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, or receive more tax.

The exception to this is that deferred taxation assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits generated by the Company from which the underlying temporary differences can be deducted.

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Forward currency contracts and hedging

The Company uses forward currency contracts to hedge its risks associated with foreign currency fluctuations. These are initially recognised at fair value on the date on which a contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The criteria for forward foreign currency contracts are:

- The instrument must be related to a firm foreign currency commitment;
- It must involve the same currency as the hedged item; and
- It must reduce the risk of foreign currency exchange movements on the Company's operations.

The Group's treasury function takes out foreign currency contracts on behalf of ALSTOM operating companies to manage these risks.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the statement of profit or loss. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship, as follows:

Fair value hedges

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged; the derivative is re-measured at fair value and gains and losses from both are taken to profit and loss. For hedged items carried at amortised cost, the adjustment is amortised through the statement of profit or loss such that it is fully amortised by maturity. When an unrecognised firm commitment is designated as a hedged item, this gives rise to an asset or liability in the balance sheet, representing the cumulative change in the fair value of the firm commitment attributable to the hedged risk.

The Company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting, or the Company revokes the designation.

Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity until the forecast transaction

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

occurs and are transferred to the statement of profit or loss or to the initial carrying amount of a non-financial asset or liability as above.

The Company uses forward exchange contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments. Refer to note 26 for further details.

Financial assets

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

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

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

Loans and receivables

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

Financial liabilities

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

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Provisions

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

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

Warranty costs

A provision for warranty cost is recorded when revenue for the underlying product is recognised. The cost is estimated based on a number of factors, including the historical warranty claims and cost experience, the type and duration of the warranty coverage, the nature of products sold and counter-warranty coverage available from the Company's suppliers. Warranty expense is recorded as a component of cost of sales. The effect of the time value of money is not material and therefore the provisions are not discounted.

Work due provisions

A provision for work due arises when a contract, or part of a contract, is fully completed and delivered, however, there are still costs relating to that contract or part of the contract that are not yet recognised, because these have not yet been incurred. Work due provision is recorded as a component of cost of sales. The effect of the time value of money is not material and therefore the provisions are not discounted.

Provisions for liquidated damages

Provisions for liquidated damages arise when management determine that liquidated damages are payable to customers in accordance with contractual terms, bearing in mind the stage of completion of projects and performance on contracts. The impact of recording provisions for liquidated damages is to reduce revenue recognised on contracts. The effect of the time value of money is not material and therefore the provisions are not discounted.

Restructuring costs

A provision for restructuring arises when costs are expected to be incurred and amounts are expected to be paid to redundant employees as a result of a restructuring plan by the Company. Restructuring provision is recorded as a component of administrative expenses. The effect of the time value of money is not material and therefore the provisions are not discounted.

The Company reviews its recorded provisions on a quarterly basis and any adjustment is recognised in profit or loss, or in line with IFRIC 1 for decommissioning costs.

Exceptional items

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

Pensions

The Company operates a number of pension schemes. The pension schemes are of the defined benefit and defined contribution type. The assets of the defined benefit type are held in separate trustee administered funds. Contributions to the defined contribution schemes are recognised in the income statement in the period in which they become payable.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current year (to determine current service costs) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised immediately in profit or loss.

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement)

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the year in which the settlement or curtailment occurs.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The net interest is recognised in the Statement of profit or loss as other finance income/expense.

Actuarial gains and losses are recognised in full in other comprehensive income in the year in which they occur.

The defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), adjusted for any past service cost not yet recognised and adjusted for the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published mid-market price. It is management's opinion that the difference between mid-market and bid price valuations is not material. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Where the company has an unconditional right to a surplus as calculated in accordance with IAS19R in respect of certain schemes, this is recognised as an asset in the financial statements.

Classification of shares as debt or equity

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

- (i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- (ii) the instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the company's own equity instruments.

When shares are issued, any component that creates a financial liability of the Company is presented as a liability in the balance sheet; measured initially at fair value net of transaction costs and thereafter at amortised cost until extinguished on conversion or redemption. The corresponding dividends relating to the liability component are charged as interest expense in the statement of profit or loss. The initial fair value of the liability component is determined using a market rate for an equivalent liability without a conversion feature.

The remainder of the proceeds on issue is allocated to the equity component and included in shareholders' funds, net of transaction costs. The carrying amount of the equity component is not re-measured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

3. Changes in accounting policies

There have been no new standards and interpretations adopted during the year which have had a material impact on the Company's financial statements.

The Company has not opted for early application at 31 March 2023 of IFRS requirements already published by the IASB which will become mandatory in future periods, but the Directors do not expect these changes to have a significant impact upon the financial statements.

Notes to the Financial Statements (continued)

4. Revenue

Revenue included in the statement of profit or loss is analysed as follows.

	2023	2021
	£'m	£'m
Contract related revenue	<u>1,592.2</u>	427.6
	<u>1,592.2</u>	<u>427.6</u>

All reported revenue and operating loss is considered to primarily originate from the UK. Revenue reported on contracts during the year is analysed in the table below:

	2023	2021
	£'m	£'m
Revenue by stream:		
Rolling stock	661.9	(57.5)
Services	782.0	441.8
Signalling	148.3	43.3
	<u>1,592.2</u>	<u>427.6</u>

5. Operating loss

Operating loss is stated after charging/(crediting):

	2023	2021
	£'m	£'m
Cost of stock recognised as an expense (included in cost of sales) including write down of stocks to net realisable value	0.7	0.7
Depreciation of fully owned tangible assets	8.9	6.3
Depreciation of right of use assets	1.8	3.5
Amortisation of intangible assets	-	1.9
Restructuring	0.1	2.6
Auditors' remuneration (see note 6)	0.3	0.3
Research and development	19.0	21.5
Loss/(gain) on foreign exchange	2.9	(18.9)
Rental income	(0.7)	(0.4)

Research and development disclosed comprises research and engineering costs included in overheads. The Company also incurs significant development costs within contract costs which do not meet the criteria for capitalisation.

6. Auditor's remuneration

The remuneration of the auditors is further analysed as follows:

	2023	2021
	£'m	£'m
Fees payable to the company's auditors for the audit of the company's annual financial statements	0.3	0.3
	<u>0.3</u>	<u>0.3</u>

Notes to the Financial Statements (continued)

7. Directors' emoluments

	2023	2021
	£'m	£'m
Aggregate remuneration in respect of qualifying services	1.4	1.2
Company contributions to defined contribution pension arrangements	<u>-</u>	<u>0.1</u>
Amounts in respect of the highest paid director are as follows:		
Aggregate remuneration	0.5	0.5
Company contributions to defined contribution pension arrangements	<u>-</u>	<u>-</u>
Members of defined benefit schemes	-	1
Directors with benefits under defined contribution pension arrangements	-	1

Certain of the Directors provided their services principally to two Companies, ALSTOM Engineering and Services Limited, and ALSTOM Transport UK Limited, a fellow Group undertaking. An estimate of the emoluments that are attributable to each of the Companies has been made, based on an assumption of time spent providing services to each entity. As such, the amounts included above represents amounts attributable to services provided to this Company only and the remainder of the emoluments are disclosed in the financial statements of ALSTOM Transport UK Limited.

The Directors are considered to be the entity's key management personnel.

8. Staff costs

a) Employee costs

	2023	2021
	£'m	£'m
Wages and salaries	263.1	195.5
Social security costs	19.8	15.7
Other pension costs	21.3	20.7
	<u>304.2</u>	<u>231.9</u>

b) Average monthly number of employees during the year

	No.	No.
Production	3,086	3,080
Engineering	504	563
Project management	94	111
Administration	63	73
	<u>3,747</u>	<u>3,827</u>

Included in the pension costs are £13.5m (2021: £14.8m) in respect of defined benefit schemes and £7.8m (2021: £5.9m) in respect of the defined contribution scheme (see note 24). Average number of employees in 2023 and 2021 include Contractors, the costs of which are included within Employee Costs.

Notes to the Financial Statements (continued)

9. Interest receivable	2023	2021
	£'m	£'m
Amounts received from Group undertakings	<u>0.4</u>	-
	0.4	-
10. Interest payable and similar charges	2023	2021
	£'m	£'m
Interest payable to Group undertakings	17.2	4.5
Other interest payable	<u>4.3</u>	2.5
Interest payable and similar charges	21.5	7.0
11. Other finance income	2023	2021
	£'m	£'m
Net return on pension schemes (note 24)	<u>7.6</u>	1.4
12. Taxation on loss		
a) Tax credit in the Statement of Profit or Loss	2023	2021
	£'m	£'m
Current income tax:		
Current year credit	(12.9)	(9.6)
Adjustments in respect of previous years	0.2	2.2
Foreign tax	0.4	0.1
Other tax	-	0.1
	<u>(12.3)</u>	<u>(7.2)</u>
Deferred taxation		
Origination and reversal of temporary differences	-	-
Adjustments in respect of previous years	-	-
Derecognition of deferred tax	-	-
	<u>-</u>	<u>-</u>
Taxation credit on loss (note 12(b))	(12.3)	(7.2)

Notes to the Financial Statements (continued)

12. Taxation on loss (continued)

b) Reconciliation of the total tax credit

The tax credit in the statement of profit or loss for the year differs from the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are reconciled below:

	2023 £'m	2021 As restated £'m
Loss on ordinary activities before taxation	(34.1)	(418.6)
Loss on ordinary activities multiplied by standard rate of UK corporation tax of 19%	(6.5)	(79.5)
Effects of:		
Non taxable income	(27.6)	(0.9)
Impairment of investments	13.3	-
Permanent adjustments	0.1	0.1
Adjustments to taxation charge in respect of previous years	0.2	2.2
Foreign tax	0.4	0.1
Deferred tax not recognised	7.8	70.7
Other tax	-	0.1
Total taxation credit for the year (note 12(a))	(12.3)	(7.2)

c) Deferred tax

	2023		2021 (restated)	
	Recognised	Not recognised	Recognised	Not recognised
	£'m	£'m	£'m	£'m
Depreciation in excess of capital allowances	-	5.1	-	6.2
Other timing differences	-	4.8	-	8.5
Capital losses	-	2.0	-	2.0
Losses	-	208.6	-	205.4
Pension	-	(55.6)	-	(41.1)
Deferred tax asset/(liability)	-	164.9	-	181.0

Deferred tax assets have not been recognised in respect of these losses as there is uncertainty over the timing of their recoverability in the context of the losses recorded by the Company in the past two financial years.

d) Future tax rate changes

On 3 March 2021 the Chancellor announced that the rate would increase from 19% to 25% with effect from 1 April 2023.

Notes to the Financial Statements (continued)

13. Fixed assets

a) Intangible fixed assets

	Development costs £'m	Software £'m	Total £'m
Cost			
At 1 January 2022 and 31 March 2023	-	12.6	12.6
Depreciation			
At 1 January 2022 and 31 March 2023	-	12.6	12.6
Net book value			
At 31 March 2023 and 31 December 2021	-	-	-

All of the Company's Development costs IP was sold to a fellow Group undertaking during the prior year, generating a profit on disposal of £41.9m.

b) Tangible fixed assets

	Freehold land and buildings £'m	Short leasehold buildings £'m	Assets in the course of construction £'m	Plant and machinery £'m	Total £'m
Cost					
At 1 January 2022	58.8	1.2	9.9	64.2	134.1
Additions	0.1	-	3.4	0.3	3.8
Disposals	-	-	-	(1.0)	(1.0)
Transfers	0.6	-	(4.9)	4.3	-
At 31 March 2023	59.5	1.2	8.4	67.8	136.9
Depreciation or impairment					
At 1 January 2022	24.4	1.2	-	49.7	75.3
Charge for the year	3.1	-	-	5.8	8.9
Disposals	-	-	-	(1.0)	(1.0)
At 31 March 2023	27.5	1.2	-	54.5	83.2
Net book value					
At 31 March 2023	32.0	-	8.4	13.3	53.7
At 31 December 2021	34.4	-	9.9	14.5	58.8

Included in freehold land and buildings is land held at a cost of £8.4m (2021: £8.4m), which is not depreciated.

Notes to the Financial Statements (continued)

c) Right of Use Assets

	Land £'m	Buildings £'m	Cars £'m	Equipment £'m	Total £'m
Cost or valuation					
At 1 January 2022	0.2	38.5	0.9	0.8	40.4
Disposals	-	-	(0.9)	(0.8)	(1.7)
At 31 March 2023	0.2	38.5	-	-	38.7
Depreciation or impairment					
At 1 January 2022	0.2	30.6	0.9	0.3	32.0
Charge for the year	-	1.8	-	-	1.8
Disposals	-	-	(0.9)	(0.3)	(1.2)
At 31 March 2023	0.2	32.4	-	-	32.6
Net book value					
At 31 March 2023	-	6.1	-	-	6.1
At 31 December 2021	-	7.9	-	0.5	8.4

14. Investments – non-current

	2023 £'m	2021 £'m
Associates and joint ventures	36.9	36.9
Other fixed asset investments (note 14(a))	3.2	61.6
	40.1	98.5

(a) Other fixed asset investments

	2023 £'m	2021 £'m
Cost		
At the start of the period	96.0	96.0
Additions	11.6	-
Disposals	(11.6)	-
At the end of the period	96.0	96.0
Amounts provided		
At the start of the period	34.4	34.4
Additions	70.0	-
Disposals	(11.6)	-
At the end of the period	92.8	34.4
Net book value		
At the end of the period	3.2	61.6

Additions of £11.6m during the year comprise a recapitalisation of Bombardier Transportation (Signal) Uk Limited, a dormant subsidiary company. This investment was immediately impaired and the subsidiary was dissolved during the period. In addition, the Company disposed of its 99% shareholding in ALSTOM Monorail Egypt for Contracting Works LLC, which generated a profit on disposal of £39.9m as shown in the Statement of Comprehensive Income.

Notes to the Financial Statements (continued)

14. Investments – non-current (continued)

The Company has reviewed its investments in subsidiaries, associates and joint ventures, and as a result no new impairments were deemed necessary. Investments in entities which are dormant or insignificant have been excluded from the listing below:

Held directly by the company	Incorporated	Holding	Principal activities
<i>Subsidiaries</i>			
Prorail Limited	England	100% Ordinary	Investment Holding Company
ALSTOM Electronics Limited	England	100% Ordinary	Maintenance & repair of rolling stock
Bombela Maintenance Ltd	South Africa	90% Ordinary	Maintenance & repair of rolling stock
Bombela Electrical & Mechanical Works (Proprietary) Ltd	South Africa	90% Ordinary	Design, manufacture and installation of railway components
Infrasig Ltd	England	100% Ordinary	Vehicle to perform work under ETCS framework agreement
Alstom VP Pension Trustee Limited	England	100% Ordinary	Corporate Pension Trustee
Alstom UK Pension Trustee Limited	England	100% Ordinary	Corporate Pension Trustee
<i>Associates and Joint Ventures</i>			
CRRC Puzhen Alstom Transportation Systems Ltd	China	50% Ordinary	Design, manufacture, integration and sale of APM and monorail vehicles and systems
Isithimela Rail Services (Proprietary) Ltd	South Africa	50% Ordinary	Construction of track works
Bombela TKC (Proprietary) Ltd*	South Africa	25% Ordinary	Rail system delivery management
Alstom Services Saudi Arabia Ltd	Saudi Arabia	51% Ordinary	To perform local work on Saudi contracts
WhereIsMyTransport	England	1.68% Ordinary	Business and domestic software development
<i>Owned via subsidiary undertaking</i>			
Crossfleet Ltd	England	100% Ordinary	Maintenance of railway stock
ALSTOM Monorail Egypt for Contracting Works LLC	Egypt	1% Ordinary	Manufacture and servicing of rolling stock and equipment

*The financial year-end for this company is 30 June.

Notes to the Financial Statements (continued)

15. Stocks

a) Total inventory

	2023	2021
	£'m	£'m
Raw materials and consumables	40.1	29.2
Amounts due from customers on long term contracts (note 15(b))	1,307.1	825.8
	<u>1,347.2</u>	<u>855.0</u>

b) Analysis of contract balances

Contract balances are analysed to rolling stock and service contracts as follows:

Rolling stock contracts	2023	2021
	£'m	£'m
Costs incurred, recorded margins and progress billings	1,666.0	1,657.1
less: advances from customers	(1,411.6)	(1,688.0)
	<u>254.4</u>	<u>(30.9)</u>
 Service contracts		
Costs incurred, recorded margins and progress billings	173.8	79.0
less: advances from customers	(10.7)	(9.7)
	<u>163.1</u>	<u>69.3</u>
 Total contract assets	<u>417.5</u>	<u>38.4</u>

Progress billing at the year-end amounted to £53.0m for Rolling Stock contracts (2021: £37.9m) and £99.4m for Services contracts (2021: £12.9m).

Gross amounts due from or to customers in respect of contract work are presented within stocks and creditors respectively as follows:

	2023	2021
	£'m	£'m
Amounts due from customers (note 15(a))	1,307.1	825.8
Amounts due to customers (note 17)	(889.6)	(787.4)
	<u>417.5</u>	<u>38.4</u>

Notes to the Financial Statements (continued)

16. Trade and other receivables

	2023 £'m	2021 £'m
a) Trade and other receivables due after one year		
Financial asset	42.7	42.7
	<u>42.7</u>	<u>42.7</u>

	2023 £'m	As restated 2021 £'m
b) Trade and other receivables due within one year		
Trade debtors	23.0	18.7
Prepayments in respect of long-term contract purchases	173.9	329.8
Amounts recoverable on long-term contracts	12.0	0.8
Amounts owed by other Group undertakings	95.6	175.6
Other debtors	-	0.1
Group relief receivable	18.3	29.6
Financial asset	3.1	2.2
Other financial assets (note 16(c))	31.8	42.1
	<u>357.7</u>	<u>598.9</u>

	2023 £'m	As restated 2021 £'m
c) Other financial assets		
Embedded derivative	-	0.8
Forward currency contract assets	31.8	41.3
	<u>31.8</u>	<u>42.1</u>

17. Creditors: amounts falling due within one year

	2023 £'m	2021 £'m
Lease Liabilities (note 19)	4.9	2.6
Borrowings – group cash-pooling	222.5	267.4
Corporation tax payable	15.5	13.5
Trade creditors	369.9	271.5
Amounts due to customers on long term contracts (note 15(b))	889.6	787.4
Amounts owed to Group undertakings	96.8	180.4
Forward currency contract liabilities	27.1	21.0
Other taxes and social security costs	25.4	21.2
Accruals and deferred income	74.4	(7.8)
	<u>1,726.1</u>	<u>1,557.2</u>

Corporation tax payable includes provisions relating to uncertain tax positions which reflect management's best estimate at the balance sheet date.

Notes to the Financial Statements (continued)

18. Creditors: amounts falling due after more than one year

	2023	2021
	£'m	£'m
Amounts owed to Group undertakings	3.3	3.4
Lease Liabilities (note 19)	8.3	13.2
	11.6	16.6

The finance lease liabilities are secured over the assets to which they relate. The carrying amount of creditors is a reasonable approximation of their fair value.

19. Lease Liabilities

	2023	2021
	£'m	£'m
Contractual undiscounted cashflows		
Within one year	3.5	4.0
Within 2 to five years	7.0	11.9
After 5 years	7.2	7.4
	17.7	23.3
Lease Liabilities included in the financial statements		
Current	4.9	2.6
Non current	8.3	13.2
	13.2	15.8

The lease liabilities are in respect of two leased buildings only.

Notes to the Financial Statements (continued)

20. Provisions

a) Provisions for liabilities

Provisions are recognised when an obligation is recognised due to a past event and are expected to be incurred within the normal operating cycle if contract related or within 12 months of the balance sheet date. The carrying amount is therefore a reasonable approximation of the fair value.

	Warranty £'m	Work due provision £'m	Onerous Contract Provisions £'m	Liquidated damages £'m	Other £'m	Total £'m
At 1 January 2022	11.6	35.2	372.3	66.5	2.5	488.1
Arising during the period	3.4	6.2	231.1	153.2	-	393.9
Released during the period	(3.6)	(0.4)	-	(55.9)	-	(59.9)
Utilised during the period	(1.9)	(6.7)	(378.9)	(163.8)	-	(551.3)
At 31 March 2023	9.5	34.3	224.5	-	2.5	270.8
Of which						
Current portion	7.2	33.8	221.3	-	2.4	264.7
Non-current portion	2.3	0.5	3.2	-	0.1	6.1
Total Provisions	9.5	34.3	224.5	-	2.5	270.8

Warranty, work due, onerous contract and liquidated damages provisions are described in the accounting policies (note 2).

Notes to the Financial Statements (continued)

21. Share capital

	2023	2021	2023	2021
	No.	No.	£m	£m
Authorised Share Capital				
Ordinary shares of £1 each	322,000,000	70,000,000	322.0	70.0
Redeemable ordinary shares of £1 each	80,000,000	80,000,000	80.0	80.0
	402,000,000	150,000,000	402.0	150.0
Allotted, called up and fully paid:				
Ordinary shares of £1 each	304,758,763	52,758,763	304.8	52.8
Redeemable ordinary shares of £1 each	42,051,944	42,051,944	42.0	42.0
	346,810,707	94,810,707	346.8	94.8

During the period, the Company issued 252,000,000 new Ordinary shares of £1 each, which were subscribed for by ALSTOM Transportation (Global Holding) UK Limited, and settled in cash.

The ordinary shares and remaining redeemable ordinary shares rank *pari passu* in all respects.

The redeemable shares shall be redeemed on the following terms:

- i the Company may redeem the redeemable ordinary shares at any time following a minimum of three months' notice period to the holders of the redeemable ordinary shares;
- ii upon the redemption date, the holders of the redeemable ordinary shares shall deliver the certificates for the shares to the Company's registered office, in exchange for the amount due to said holders;
- iii the amount redeemable on each share shall be the amount paid; and
- iv the receipt, by the holders of the redeemable ordinary shares, of the amount payable on redemption shall constitute an absolute discharge to the Company in respect of such redemption.

The Company has negative distributable reserves as at the balance sheet date and is therefore unable to legally declare dividends at this time.

Notes to the Financial Statements (continued)

22. Reserves

	Cash flow hedge reserve £'m	Un- realised losses reserve £'m	Retained earnings /(losses) £m
At 1 January 2021	(4.9)	(0.7)	(121.7)
Re-classification		0.7	(0.7)
Actuarial gain on pensions	-	-	225.0
Losses on cash flow hedges taken to equity	(11.0)	-	-
Cash flow hedges recycled through the statement of profit or loss	0.6	-	-
Loss for the year	-	-	(433.9)
At 1 January 2022 as previously stated	(15.3)	-	(331.3)
Correction of prior year error (note 30)	-	-	22.5
At 1 January 2022 (restated)	(15.3)	-	(308.8)
Actuarial gain on pensions	-	-	48.0
Gains on cash flow hedges taken to equity	6.6	-	-
Cash flow hedges recycled through the statement of profit or loss	5.9	-	-
Loss for the year	-	-	(21.8)
At 31 March 2023	(2.8)	-	(282.6)

Cash flow hedge reserve

The cash flow hedge reserve is used to record the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. The tax effect of cash flow hedge instruments reflects the change in balances from 2021 to 2023 only for the effective portion (ineffectiveness has been accounted for directly in the Statement of profit or loss).

Notes to the Financial Statements (continued)

23. Capital commitments

	2023	2021
	£'m	£'m
Amounts contracted but not provided	0.3	0.2

Committed expenditure is for investment in new plant and machinery.

24. Retirement benefit schemes

The Company sponsors a number of pension schemes including defined benefit schemes and a defined contribution scheme, details of which are disclosed in the notes below.

Total retirement benefits costs recognised in the Statement of profit or loss for the year:

	2023	2021
	£'m	£'m
Defined benefit schemes – service costs and administration costs	16.3	19.8
Defined benefit schemes – interest cost	49.8	33.3
Defined contribution schemes	7.8	5.9
	<u>73.9</u>	<u>59.0</u>

a) Defined benefit pension schemes

The Group has a number of defined benefit pension schemes for the benefit of certain directors and employees. The schemes are funded by the payment of contributions to separately administered trust funds, except for UK Rail-Pass, which is unfunded. The scheme names are as follows:

- Alstom UK Vice Presidents Pension Scheme;
- Alstom UK Pension Plan;
- Alstom UK 2003 Pension Scheme;
- Railway Pensions Schemes - Omnibus Shared Cost Section;
- Railway Pensions Schemes – Alstom UK C2C Shared Cost Section;
- Railway Pensions Schemes – Alstom UK Shared Cost Section;
- Railway Pensions Schemes – Alstom UK Signal Shared Cost Section; and
- Uk Rail-Pass

All of these Schemes are closed to new entrants.

The benefit for members of the schemes is defined in the rules for each scheme and for the funded schemes is based on the number of years' service and pensionable salary.

The objectives of the defined benefit pension schemes are to ensure that sufficient assets and liquidity is available to meet the obligations to its members.

The pension scheme assets are held in a separate Trustee Director administered fund to meet long-term pension liabilities to past and present employees. The boards of Trustee Directors for the pension schemes are made up of representatives from the Company and members. The Trustee Directors of the fund are required to act in the best interest of the fund's beneficiaries.

All retirement benefit schemes are administered in accordance with UK legal requirements, the main regulations being Pension Schemes Act 1993, Pensions Act 1995, Occupational Pension Schemes (contracting-out) Regulations 1996 and the Finance Act 2004.

The Company employs professional actuaries to value the defined benefit pension schemes, and this evaluation is performed annually at the Company's financial year end.

Notes to the Financial Statements (continued)

24. Retirement benefit schemes (continued)

Employees' and employer's contributions to funded schemes are based upon a percentage of salary in accordance with the rules of the schemes. The Trustee Actuaries calculate the funding level of each Scheme periodically, and if this funding level is considered insufficient, additional deficit reduction contributions become payable. Monthly deficit payments amounting to £391,300 (2021: £391,300) were made in the period from Jan-22 to Mar-23.

Change in projected benefit obligation (PBO)

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	2023	2021
	£'m	£'m
Benefit obligation as at the start of the period	(1,718.5)	(1,833.8)
Current service cost	(13.5)	(14.8)
Interest cost	(49.8)	(33.3)
Administration costs	(2.8)	(5.0)
Plan participants' contributions	(4.3)	(3.5)
Actuarial gain	635.7	116.9
Benefits paid	63.9	55.0
Benefit obligation as at the end of the period	(1,089.3)	(1,718.5)
Benefit obligation – funded plans	(1,084.2)	(1,709.9)
Benefit obligation – unfunded plans	(5.1)	(8.6)
	(1,089.3)	(1,718.5)

The total actuarial gain is made up of changes in financial assumptions with a gain of £693.9m (2021: gain of £39.9m), changes in demographic assumptions with a gain of £0.8m (2021: gain of £59.1m) and changes in other experience adjustments with a loss of £59.0m (2021: gain of £17.9m).

Notes to the Financial Statements (continued)

24. Retirement benefit schemes (continued)

Change in plan assets

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

	2023	2021
	£'m	£'m
Fair value as at the start of the period	1,882.9	1,772.9
Interest Income on plan assets	57.4	34.7
Actuarial (loss)/gain	(574.6)	108.1
Employer contributions	18.5	18.5
Plan participants' contributions	4.3	3.5
Benefits paid	(63.7)	(54.8)
Fair value as at the end of the period	1,324.8	1,882.9

Plan asset allocation

As at 31 March 2023, the scheme assets were invested in a diversified portfolio that consisted primarily of equity and debt securities. Plan assets did not include any shares of the Company's parent or of any related parties, nor any property occupied by the company, its parent company or any related parties.

The fair value and percentage of scheme assets are set out below:

	2023	% of total	2021	% of total
	£'m		£'m	
Equities	234.9	17.7%	769.7	40.9%
Debt securities	986.2	74.4%	1,089.2	57.8%
Cash and other assets	103.7	7.9%	24.0	1.3%
Total	1,324.8	100.0%	1,882.9	100.0%

Notes to the Financial Statements (continued)

24. Retirement benefit schemes (continued)

Principal assumptions and risks

Pension costs are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The projected unit method is an accrued benefits valuations method in which the scheme liabilities make allowance for future earnings. Scheme assets are stated at their market values at the respective balance sheet dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

The principal weighted-average actuarial assumptions used for all schemes as at the balance sheet date are as follows:

	2023	2021
Discount rate	4.95%	1.90%
CPI inflation assumption	2.60%	2.70%
Rate of compensation increase	3.11%	3.20%
Pension increase assumption	2.0%	2.70%

The UK discount rate is based on published indices for 15-year AA bonds with a duration appropriate for each of the pension plans. Outlying items in the market population are ignored. The expected rate of returns on bonds is a weighted average reflecting the mix of government, index-linked and corporate bonds held by the pension funds. Property returns are based on published indices and reflect longer-term performance. The assumptions for inflation and for increases in pensions are based on the yield gap between long-term index-linked and long-term fixed interest gilt securities.

The future obligations are based upon assumptions, the principal assumptions are listed above, and as such there are risks associated with changes in the values associated with these assumptions. The table below indicates the effects from a change in the assumptions, all other actuarial assumptions remaining unchanged:

Sensitivity Analysis	Change in assumption	Impact on net pension liability £'m
Discount rate	+0.25%	(35.7)
Compensation increase	+0.25%	3.5
Inflation rate	+0.25%	18.7

Reconciliation of schemes in net surplus

	2023	2021
	£'m	£'m
Fair value of plan assets	1,324.8	1,653.8
Benefit obligations	(1,084.2)	(1,456.6)
Irrecoverable surplus	(13.1)	-
Pension surplus	227.5	197.2

Notes to the Financial Statements (continued)

24. Retirement benefit schemes (continued)

At 31 March 2023, all of the schemes were in surplus with the exception of UK Rail-Pass, an unfunded scheme.

Reconciliation of schemes in net deficit

	2023	2021
	£'m	£'m
Fair value of plan assets	-	229.1
Benefit obligations	(5.1)	(261.9)
Pension deficit	(5.1)	(32.8)
Benefit obligation – funded schemes	-	(253.3)
Benefit obligation – unfunded schemes	(5.1)	(8.6)
	(5.1)	(261.9)

Amounts recognised in primary statements

The pension schemes have not invested in any of the Group's own financial instruments nor in properties or other assets used by the Group.

The amounts recognised in the Statement of profit or loss and in the Statement of comprehensive income for the year are analysed as follows:

Analysis of amount charged to operating loss

	2023	2021
	£'m	£'m
Employer's current service cost	13.5	14.8
Administration costs	2.8	5.0
Total operating charge	16.3	19.8

Service costs have been included within cost of sales.

Notes to the Financial Statements (continued)

24. Retirement benefit schemes (continued)

Analysis of the amount credited to other finance income

	2023	2021
	£'m	£'m
Interest income on pension plan assets	57.4	34.7
Interest on pension liabilities	(49.8)	(33.3)
Net return	7.6	1.4

	2023	2021
	£'m	£'m
Net return for schemes in surplus	7.8	2.0
Net return for schemes in deficit	(0.2)	(0.6)
Net return on schemes assets /(liabilities)	7.6	1.4

Analysis of amount recognised in Statement of comprehensive income

	2023	2021
	£'m	£'m
Actuarial gain on scheme liabilities	635.7	116.9
Actuarial (loss)/gain on scheme assets	(574.6)	108.1
Irrecoverable surplus impact	(13.1)	-
Actuarial gain recognised in the Statement of comprehensive income	48.0	225.0

Analysis of cumulative amount recognised in Statement of comprehensive income

	2023	2021
	£'m	£'m
Cumulative amount recognised at the start of the year	(62.8)	(287.8)
Actuarial gain	48.0	225.0
Cumulative amount recognised at the end of the year	(14.8)	(62.8)

Analysis of amount recognised in the Balance sheet

	2023	2021
	£'m	£'m
Present value of defined benefit obligations		
Funded schemes	(1,084.2)	(1,709.9)
Unfunded plans schemes	(5.1)	(8.6)
	(1,089.3)	(1,718.5)
Fair value of plan assets	1,324.8	1,882.9
Irrecoverable surplus	(13.1)	-
Net amount recognised	222.4	164.4

Notes to the Financial Statements (continued)

24. Retirement benefit schemes (continued)

As shown in note 12(c), a deferred tax liability of £55.6m has been accounted for at a rate of 25% on the net pension surplus of £222.4m.

As permitted under IFRS 1, the company has not determined the amount of actuarial gains and losses that would have been recognised in OCI prior to the adoption of FRS 101 on 1 January 2012. The net cumulative actuarial loss before income tax, recognised directly to OCI since 1 January 2012 amounted to a gain of £203.6m (2021: gain of £155.6m).

History of experience gains and losses:

	2023	2021	2020	2019
	£'m	£'m	£'m	£'m
Fair value of scheme assets	1,324.8	1,882.9	1,772.9	1,679.4
Projected benefit obligation	(1,089.3)	(1,718.5)	(1,833.8)	(1,701.2)
Irrecoverable surplus	(13.1)	-	-	-
Surplus / (Deficit) in the schemes	222.4	164.4	(60.9)	(21.8)
Experience adjustments arising on plan liabilities	(59.0)	17.9	38.8	(22.6)
Experience adjustments arising on plan assets	(574.6)	108.1	119.1	168.6

c) Defined contribution schemes:

The total cost charged to the income statement of £7.8m (2021: £5.9m) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31 March 2023 no contributions were outstanding in respect of defined contribution schemes (2021: nil).

25. Related parties

The Company has not disclosed transactions with other wholly owned group companies, as it has taken advantage of the exemption conferred by Paragraph 8(k) of Financial Reporting Standard No. 101.

During the year the Company entered into transactions, in the ordinary course of business, with Bombela Maintenance Limited, a company in which 90% of the issued share capital is held and ALSTOM Services Saudi Arabia, a company in which 51% of the issued share capital is held. Transactions entered into, and trading balances outstanding at the financial period end are as follows:

Related party/ Relation between companies	Year	Sales to related party	Purchases from related party	Amounts owed by related party	Amounts owed to related party
		£'m	£'m	£'m	£'m
Bombela Maintenance Ltd	2023	40.9	42.9	19.9	15.3
	2021	32.5	11.6	4.6	3.0
ALSTOM Services Saudi Arabia Ltd	2023	-	3.6	-	-
	2021	-	-	-	-

There is no provision for bad debts against any intercompany debts, and no bad debts have been written off during the year. Sales and purchases between related parties are on an 'arm's length' basis. The Company maintains a branch in South Africa to manage the remaining items relating to the Gautrain contract. The financial results and balances are not deemed material but are included in the Company's financial statements.

Notes to the Financial Statements (continued)

26. Financial instruments

a) Financial instruments

An explanation of the company's financial instrument risk management objectives, policies and strategies are set out in the discussion of principal risks and uncertainties in the Directors' report.

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, subject to the comments below.

The Company takes out derivative positions called "Hedge on Behalf of" (HOBO) for certain other legal entities within the Alstom group. AESL is the legal counterparty to the derivative positions and carries the risk and rewards. AESL takes these positions out on behalf of other group entities to take advantage of trading facilities it has in place with UK counterparties and to keep in line with the ultimate parent company requirement that all its subsidiaries are to use forward currency contracts to eliminate currency exposures on all transactions in excess of €100,000. AESL does not have any 'back to back' relationship with the related group parties and is therefore exposed to the gross derivative risk. The derivatives are recognised and classified as held for trading. Any fair value gains and losses are therefore accounted for directly in the income statement.

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:

	2023	2021
	Sterling	Sterling
	equivalent	equivalent
	£m	£m
Purchase foreign currencies forward	422.5	1,082.8
Sell foreign currencies forward	848.9	558.1

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.

Notes to the Financial Statements (continued)

27. Contingent Liabilities

At 31 March 2023 the Company had no outstanding contingent liabilities (2021: nil), other than the matters detailed below:

Contract related guarantees & securities

In accordance with industry practice, guarantees and securities under contracts with customers and bids are given in respect of the Company. These are generally contract specific and can extend from the tender period until final acceptance by the customer, or the end of the warranty period.

Types of securities provided are Parent Company Guarantees (PCGs), On Demand Guarantees (ODGs) and Surety Bonds (SB). PCGs are provided by parent companies and ODGs/SBs are provided by third party financial institutions such as banks or surety companies. At 31 March 2023, the total value of these securities amounted to £5,485.0m (2021: £6,510.9m). It is important to note that neither the Company nor the Group have any history of a security being called in by a beneficiary and the values under guarantee do not represent a 1:1 impact on the financial statements but will attract fees.

Fees incurred are only a percentage of the value under guarantee which can reduce over time with contract progression. Fees incurred during the latest financial period amounted to £8.5m (2021: £4.5m).

Amount per security held under guarantee		2023	2021
Security Type		£'m	£'m
External Securities	Bond Purpose		
On Demand Guarantees	Advance Payment	1,785.3	2,432.5
On Demand Guarantees	Contract Performance	179.3	196.3
On Demand Guarantees	Customs	0.2	0.2
On Demand Guarantees	Retention	208.8	84.9
		2,173.6	2,713.9
Internal Securities	Bond Purpose		
Parent Company Guarantees	Contract Performance	890.3	2,010.4
Parent Company Guarantees	Financial	611.4	225.5
Parent Company Guarantees	Other	1,809.7	1,561.1
		3,311.4	3,797.0
Total securities held under guarantee		5,485.0	6,510.9
Fees incurred during the year for			
Security Type		£'m	£'m
On Demand Guarantees		5.1	2.5
Parent Company Guarantees		3.4	2.0
Total fees incurred for securities held under guarantee		8.5	4.5

Notes to the Financial Statements (continued)

28. Post Balance Sheet events

As described in note 26, AESL takes out derivative positions called "Hedge on Behalf of" (HOBO) for certain other legal entities within the Alstom group. Post year end due to a change in the hedging strategy of one of these entities there were cancellations of these hedges with a value of €101 million. This will result in a charge to the income statement in the region of €40 million in the financial year ended 31 March 2024.

29. Parent Company

At the balance sheet date, the Company's intermediate parent company undertaking is Alstom Transportation (Global Holding) UK Ltd, a company registered in England and Wales.

The company's ultimate parent undertaking and ultimate controlling party is ALSTOM SA, a company incorporated in France, which is both the smallest and the largest group of undertakings for which group accounts are drawn up and of which the Group is a member. Group accounts for ALSTOM SA for the year ended 31 March 2023 are available from its address which is 48, rue Albert Dhalenne, 93842 Saint-Ouen, France.

30. Correction of Error

As noted in the financial instruments disclosure (Note26) the Company takes out derivative positions called "Hedge on Behalf of" (HOBO) for certain other legal entities within the Alstom group. AESL is the legal counterparty to the derivative positions and carries the risk and rewards. AESL takes these positions out on behalf of other group entities to take advantage of trading facilities it has in place with UK counterparties and to keep in line with the ultimate parent company requirement that all its subsidiaries are to use forward currency contracts to eliminate currency exposures on all transactions in excess of €100,000. AESL does not have any 'back to back' relationship with the related group parties and is therefore exposed to the gross derivative risk. The derivatives are recognised and classified as held for trading. Any fair value gains and losses are therefore accounted for directly in the income statement.

During the period ended 31 March 2023, management performed a reconciliation of HOBO balances. This review identified that financing income for the fair value movement gain had been understated by £22,513,015 in relation to the year ended 31 December 2021. In line with IAS 8 the error has been corrected retrospectively and the impact, which only relates to the 2021 year-end, is as follows:

Impact on equity (increase in equity)

	2021
	£'m
Financial Assets	22.5
Net impact on Equity	22.5

Impact on statement of profit or loss (increase in profit)

	2021
	£'m
Financial Assets at FVTPL – net change in fair value	22.5
Net impact on profit for the year	22.5