Company Registration No. 8462831

Registered in England and Wales

ALSTOM TRANSPORT UK LIMITED

Annual Report and Financial Statements

For the Year Ended

31 March 2020

ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Baldock	(appointed 19 February 2020)
P J Broadley	(appointed 1 June 2020)
N P Crossfield	
S Evans	(resigned 23 August 2019)
M D L Hulme	
D A Johnston	
S MacLeod	
J K Willcock	
P S R Wood	(resigned 31 December 2019)

SECRETARY

M J C Heath

REGISTERED OFFICE

8th Floor
The Place
175 High Holborn
London
WC1V 7AA

AUDITORS

Mazars LLP
St Katharine's Way
London
E1W 1DD

SOLICITORS

Hogan Lovells
Atlantic House
Holborn Viaduct
London
EC1A 2FG

Pinsent Masons LLP
30 Crown Place
London
EC2A 4ES

STRATEGIC REPORT
Year ended 31 March 2020

TRADING RESULTS

As shown in the Company's Statement of Comprehensive Income on page 19, sales for the year were £466.3m (2019: £530.4m). The income from operations, before a credit in respect of restructuring and integration costs of £0.7m (2019: charge of £10.5m) was a profit for the year of £75.4m (2019: £65.2m). Profit before taxation was £74.8m (2019: £53.1m).

Cash and cash equivalents increased from £193.1m to £244.5m, which was after paying dividends during the year of £62.6m. Employee benefit obligations decreased by £16.3m, largely as a result of net actuarial gains, as set out in note 16. The Company's net assets increased from £267.6m at 31 March 2019 to £282.6m at 31 March 2020.

In respect of the Company's implementation of IFRS16, the impact on the balance sheet of the new measurement bases is as described in note 2. The impact of IFRS16 on the comparability of current and prior year figures in the income statement is not considered significant.

OPERATIONS, KEY PERFORMANCE INDICATORS AND FUTURE PROSPECTS

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

	Orders received £m	Sales £m	Income from operations (before restructuring & integration costs) £m
2020	906.8	466.3	75.4
2019	324.4	530.4	65.2

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

In Signalling, Systems and Infrastructure (SS&I), we have secured the two largest Major Signalling Frameworks for CP6 with Network Rail, the Southern Region (£168m - £318m) and the Eastern Region (£217m – £427m). Significant orders in this regard are anticipated to be booked by the Company in the forthcoming financial year. This will ensure a period of growth for the business. We have also signed a number of contracts in the Western Region which will ensure our presence beyond our existing framework which ends in May 2020 (Bristol East Junction-£19m, Paddington to Reading Track Circuits-£28m and further ETCS works-£12m). In addition we are also targeting enhancements in both infrastructure and signalling in CP6.

STRATEGIC REPORT
Year ended 31 March 2020

OPERATIONS, KEY PERFORMANCE INDICATORS AND FUTURE PROSPECTS (continued)

During the year, we have continued to deliver on major projects, including Bristol (the UK's single largest re-signalling commissioning), Crossrail Central Section contracts through the ATC Joint Venture, a project which has seen significant value growth and Leeds Station. HS2 also presents significant opportunity for the SS&I business. We expect to be a leading bidder on a number of the packages to be procured over the coming years.

This has been a defining year for the Rolling Stock and Services (RS&S) business both commercially and operationally. We have seen a change in operator as we welcome First Group/Trenitalia and Avanti for the WCML franchise. We have subsequently been able to secure maintenance contracts beyond 2022 for the Class 390 Pendolino fleet to 2026, with options to extend to 2031 subject to West Coast Partnership requirements. Additionally, we have secured a major modernisation project to upgrade the fleet with a variety of significant modifications, ranging from technology such as upgraded tilt system software, through to enhancements to the customer experience including new or refurbished seats and a new café bar. Additionally, we have secured the maintenance of the new Hitachi Bi-Mode Intercity Fleet to be delivered to Avanti in 2022. This fleet shall be maintained from Oxley and will replace the existing Bombardier Voyager Fleet operating on WCML. Other key commercial activity has included the ongoing HS2 Rolling Stock bid, expected to confirm a preferred bidder during this coming financial year.

We have successfully stabilised operations following the significant restructuring of the business in March 2019, leveraging the benefits of Reliability Centred Maintenance, particularly on our Class 390 Pendolino fleet. This has resulted in increased resilience in fleet availability by optimising maintenance interventions through strong asset management processes, combined with digital measurement and analytics known as 'Health Hub'. This has additionally made our maintenance services more competitive by reducing life cycle costs and driving performance on increased train and system availability. We are now in the process of deploying these techniques and technologies (where appropriate) to other fleet operations, and ultimately realise similar benefits to those gained on Pendolino.

The Pendolino "Paint and Asset Protection" project has now successfully completed in Widnes, on time and to budget. During the year we secured, and are now successfully delivering, the Class 175 refurbishment program for Transport for Wales and have recently secured a modernisation project of Mk4 coaches for Grand Central Railway to support their open access operations to be launched on WCML in May 2020. All of these modernisation projects are being deployed in Widnes, including the above mentioned Pendolino modernisation programme.

Elsewhere, RS&S has been active in supporting our key customers in commissioning and servicing new non-Alstom fleets, such as those supplied by CAF for both Serco Caledonian Sleepers and to First Trans Pennine Express. This equates to an additional 200+ cars being maintained out of three depots – Wembley, Manchester and Glasgow. At this time, the Caledonian Sleeper Fleet has been commissioned and is being managed through its warranty phase by CAF, whereas the TPE fleets are currently being commissioned and entering service. Alstom is fully responsible for the preventative maintenance of these fleets, and over time as warranty obligations end with CAF, Alstom will become responsible for all maintenance. For our Coradia and Juniper Fleets, we have seen performance stabilise and improve. It has been especially encouraging to note the increased performance of the Class 334 Juniper fleet for Abellio Scotrail, and the Silver Spanner Award for most improved mid-life DMU for Grand Central Railway's Class 180 Coradia.

London Northern Line maintenance operations have been focused on fleet availability, the installation of a wheel lathe at Morden, and the delivery of the 9-year overhaul program. There have been fleet availability challenges over this period. However, availability has lately stabilised, as we have smoothed maintenance operations and addressed some of the supply chain challenges of the overhaul program. We are now focused on delivering competitive maintenance options for Transport for London, looking beyond the contracted period of 2027.

Nottingham Tram operations have focused on fleet availability and the management of the ongoing Incentro Tram Overhaul.

STRATEGIC REPORT
Year ended 31 March 2020

OPERATIONS, KEY PERFORMANCE INDICATORS AND FUTURE PROSPECTS (continued)

Hydrogen as a means of powering trains where electrification is not available has now become established in the minds of policymakers and planners in the UK rail industry. Serving the regional networks, a clear need has been identified for the hydrogen technology in which Alstom leads the world. The UK Government is preparing its Transport Decarbonisation Plan for issue later in 2020 and it will build on the recommendations of the Rail Industry Decarbonisation Taskforce which made the case for further electrification, hydrogen and battery trains to be used to remove the circa 2,500 diesel powered carriages from the UK rail network. Alstom's work with Eversholt Rail to develop the Breeze hydrogen-powered multiple unit means that we have the only such solution available to order on the market and are able to offer implementation-ready project solutions to operators and government as we approach the first UK deployments. The government's own analysis shows that rail sector emissions will increase by 2040 unless steps are taken, urgently, to reverse this trend. Alstom is ready to meet this requirement now and, looking forward, expects to have a major role in this market as it expands.

PRINCIPAL RISKS AND UNCERTAINTIES

Covid-19

At the time of approval of these financial statements, the UK business is on the recovery from the COVID-19 situation with the requisite isolation measures imposed by the UK government as well as self-imposed restrictions in order to keep our people as safe as possible. In terms of business continuity we remain committed to supporting the delivery of essential services on the UK rail infrastructure in all of our projects. Further details in this regard are given in note 24.

Market Environment

Long-term evolution of the Company's markets is driven by a variety of complex and inter-related external factors, such as economic growth, political stability and public policies in particular on public transportation. In addition, the Company faces the evolution of customers' demand due to the specificity of their markets, as well as strong competition, both from large historical international competitors as well as new ones. The Company believes it competes effectively in its markets. It considers that its strong order backlog as well as all the measures it has taken, in particular for reducing costs and adapting headcount to demand, should enable it to face the current competition.

When it comes to Brexit, there are still inevitable uncertainties regarding timing and impact. As a responsible Company we are therefore taking steps to prepare for the end of the transition period. Largely, our work in the UK is local. We are proud of our record of investing in facilities here, employing locally and sourcing components from the UK supply chain. This limits possible impacts. The impact on our workforce is limited. We cannot cover all eventualities but believe we have done what is possible under the circumstances, so that we will be in a position to continue a good level of service to all of our customers, when the transition period comes to an end.

Contract Execution

The Company's business includes major long-term contracts, often executed in consortium. The revenue, cash flow and profitability of a long-term project can vary significantly in accordance with the progress of that project and depends on a variety of factors, which can be either within the Company's control, or influenced by external stakeholders including our customers, suppliers, subcontractors or consortium partners. Profit margins realised on certain of the Company's contracts may vary from their original estimates as a result of changes in costs and productivity over their term. As a result of this variability, the profitability of certain contracts may significantly impact income and cash flows in any given period. The Company has established strict risk control procedures which are applied from tendering to contract execution, and the reported results take into account the expected outcomes from this risk assessment process.

STRATEGIC REPORT
Year ended 31 March 2020

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Pension plans

The Company participated in three defined benefit pension schemes during the year and is committed to providing cash to cover differences between the market value of the plan's assets and required levels for such schemes over a defined period. The projected benefit obligations are based on certain actuarial assumptions, including, in particular, discount rates, rates of increase in compensation levels and rates of mortality. If actual results, in particular actual performance of plan assets, were to materially differ from these assumptions the funded status of the Company's plans may be significantly higher or lower. Further details on the methodology used to assess pension assets and liabilities together with the annual pension costs are included in note 16 to the financial statements.

ENVIRONMENT, HEALTH & SAFETY ("EHS")

The Alstom Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the Group's activities. The Company operates in accordance with Group policies. There are various initiatives designed to minimise the Company's impact on the environment. Our Environment Management System is accredited to the new ISO14001:2015 Standard.

Replacing the CRC Energy Efficiency Scheme (CRC EES) from 2019/20 onwards is the Streamlined Energy and Carbon Reporting (SECR) policy. This new 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 Company during 2019/20:

		19/20	18/19
Scope 1 Emissions			
	Gas (tonnes CO2e)	4745.90	5355.87
	Travel (tonnes CO2e)	330.44	362.96
Scope 2 Emissions			
	Electricity (tonnes CO2e)	3783.30	4140.57
	100% Green Electricity	0.00	0.00
Total Scope 1 &2 Emissions		8859.64	9859.40
Energy Consumption used to calculate above emissions:			
Scope 1 Emissions			
	Gas (KWh)	25813977	29114324
	Travel (Miles)	1184425	1262162
Scope 2 Emissions			
	Electricity (KWh)	14801652	14627376
Intensity ratio: tCO2e (gross Scope 1 + 2) / Intensity factor			
	Energy (tonnes CO2e/Hrs Worked	0.0030	0.0033
	Travel (tonnes CO2e / Mile)	0.000279	0.000288
Emissions from employees commuting to and from work (Scope 3) / tCO2e			
	Travel (tCO2e)	30726	32970
Energy Consumption used to calculate above emissions:			
	Travel (miles)	109446	110982

STRATEGIC REPORT
Year ended 31 March 2020

ENVIRONMENT, HEALTH & SAFETY (continued)

Methodology applied to above figures

The displayed Gas and Elecricity data is taken from the Alstom internal reporting system and Company and personal mileage is taken from data held within Alstom's internal expenses system. The carbon emission factors are taken from the DEFRA 2018 and 2019 emission factors respectively. The chosen Intensity factors are based on Alstom's 2025 strategy where hours worked are used, tCO2e per mile was considered to be a satisfactory factor to use for travel. The carbon emissions generated for electricity are shown in two formats with both local grid emission factor used. This is also displayed as 0 as Alstom uses 100% certified green electricity within the UK.

To reduce the carbon used by our facilities during the period covered by this report, The Company has implemented a series of recommendations from our recent ESOS (Energy Savings Opportunities Scheme) audit (carried out in October 2019) and further carbon reduction initiatives are in place to improve our carbon performance over the coming year:

- Installation of LED lighting throughout our facilities, increasing the efficiency of our lighting systems;
- Improvements to heating, ventilation and air conditioning systems and upgraded building insulation and operational methods to reduce heat losses when trains enter and leave our Traincare centres. This has seen a notable reduction in gas consumption of 12% and we expect continued savings in energy consumption in the coming years;
- An overhaul of our company cars and Alstom branded fleet from diesel to hybrid vehicles has begun and will continue into 2020/21. This shows an average reduction of carbon per km for each of company cars and fleet vehicles of minus (-)30g CO_2/km and minus (-) 75g CO_2/km respectively;
- The installation of charging points at our fixed sites is planned for 2020 and this will provide the infrastructure to reduce the use of fuel within our vehicles. Telematics will be fitted to branded vehicles to relay detailed carbon data and enable us to plan efficient routing;
- Our project sites are transferring to fully electrified plant, removing the dependence on diesel;
- The Company has used 100% green certified electricity since 2017. This contributes to a global Alstom objective to use 100% green energy throughout the Company by 2025; and
- Projects to investigate self-production of energy at our sites will be explored in 2020/21 with an aim of 10% by 2025

The Company recognises the importance and implications of the Health & Safety at Work Act 1974, the Environmental Protection Legislation, and all new Health & Safety legislation, including that being promulgated through EU Directives. The Company operates a series of Health & Safety risk management programmes to ensure compliance throughout the Company with the increasing complexities of Health & Safety legislation and to reduce the incidence of hazardous circumstances that might affect the health and safety of employees. In July 2019, the SS&I division's Occupational Health and Safety Management system was accredited to ISO 45001: 2018, with a plan to transition the RS&S division from OHSAS18001 to ISO45001 in late 2020.

In addition to this, the business has adopted Network Rail's requirements of the ORR-developed Risk Management Maturity Model (RM3), which was developed in collaboration with the rail industry, as a tool for assessing an organisation's ability to successfully manage health and safety risks, to help identify areas for improvement and provide a benchmark for year on year comparison. From the findings of the initial RM3 survey undertaken, a Safety Improvement Plan (SIP) has been detailed and the business has planned to review the progress against the SIP regularly to ensure continual improvement. RM3 has provided guidance to industry on excellence in health and safety risk management. Best performing companies are those which have fully integrated health and safety practices into their culture.

STRATEGIC REPORT
Year ended 31 March 2020

ENVIRONMENT, HEALTH & SAFETY (continued)

The Company continues to develop the Health and Wellbeing team and in support of this have signed up to the government's "Time to Change" pledge, are partnering the Samaritans in the rail industry "Million Hour challenge", have trained approximately 40 employees (situated strategically around the Company's UK locations) in mental health first aid training and during February an annual "Time to Talk Day" in association with MIND and Rethink Mental Illness was undertaken. The strategy not only meets legislation needs but also focuses on the protection and improvement of employees' physical and psychological wellbeing.

In June 2012, Alstom introduced the Group wide Zero Deviation Plan (AZDP) which had a positive and significant impact on health and safety performance. This can be demonstrated by reference to Alstom's principal Health and Safety indicator which measures Lost Time Accidents per million hours worked, and which shows a steady reduction since 2012. The Lost Time Accident rate was ahead of Alstom's European target for 2018/2019 (Actual = 0.4 v a Target of 1.0). Two new Directives were issued in July 2013 supported by a phase 2 & 3 audit programme which continues to provide the focus required to drive improvement in all our UK business units.

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

EHS issues are also addressed by the implementation of regular audits at UK locations by internal auditors as part of programmes such as AZDP and the Alstom Environment, Health and Safety Roadmap, by external auditors as part of RISQS (Railway Industry Supplier Qualification Scheme), ISO9001, ISO14001, ISO 45001 and OHSAS18001 certification and by customers (such as the Network Rail 'Principal Contractor Licence' certification) and other organisations as part of the tender and pre-qualification process. The Company is currently in the process of working towards the new ISO 45001 for the RS&S division, which will replace 18001, with an estimated plan of achieving this in late 2020 with AFNOR.

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

STRATEGIC REPORT
Year ended 31 March 2020

EMPLOYEES

The reduced number of employees as detailed in note 19 reflects the outcome of the restructuring process undertaken by the Company from 2017 to 2019. This restructure was achieved on time and to budget.

This new structure allowed the business to improve its competitiveness in all of our businesses. This has led to a significant upward trajectory in orders booked and new work anticipated as detailed earlier in this report. This has required SS&I and RS&S to significantly ramp up its recruitment activities with significant people growth required to undertake these new projects.

Quarter 2 and 3 of 2019 saw significant changes to the UK&I Senior Management Team, with the unexpected passing of Simon Stockwell, EHS Director in August 2019. His replacement will start in Quarter 2 2020. In addition, following two internal moves we were pleased to welcome Peter Broadley as RS&S Managing Director and Dan Smith as Quality, Rail Safety and Performance Director.

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

Further investment continues to be undertaken in the area of "ethics" and ethical behaviour. Our Code of Ethics and Compliance policies are mandatory for all UK employees and we have trained a number of "Ethics and Compliance Ambassadors" who act as advisors to employees, and guardians of the Code. Any potential breach of these policies, however minor, is promptly investigated. Alstom has recently revisited its strategic plan and launched "Alstom in Motion" that has defined new corporate values "Agile, Inclusive, Responsible" (A.I.R). A long-term implementation programme to embed these values across the organisation has also been launched.

The Company continues to invest in its employees. It has made a strong commitment to attract and retain the best talent from diverse and under-represented backgrounds in a highly competitive market. This is through enhancing Alstom's reputation as a Disability Confident Employer and the achievement of Top Employer status, thus demonstrating our commitment as an equal opportunity employer and treating our existing workforce with dignity and respect. All employees are provided with the opportunity to acquire new skills and to continuously develop through a variety of mediums, including classroom based learning and digital technologies.

The Company's workforce includes highly skilled and experienced employees from all disciplines, and the Company ensures it maintains its reputation as an employer of choice through maintaining a highly skilled engineering workforce, whilst attracting and retaining new recruits to our talent pools.

We have strong partnerships with targeted schools and colleges through our STEM (Science, Technology, Engineering & Mathematics) ambassador activities and have developed strategic relationships with Educational/Industry partners such as NCATI (National College for Advanced Transport & Infrastructure), NTAR (National Training Academy for Rail), WISE (Women in Science and Engineering) and BITC (Business in the Community) to name a few.

STRATEGIC REPORT
Year ended 31 March 2020

EMPLOYEES (continued)

The Company's graduate and apprentice programmes are seen as, and are part of, a talent pipeline designed to bring trained, motivated and qualified people into our ranks and the rail industry each year. The Company continues to increase investment in this area and the number of apprentices expands with each year. The vast majority commit to continued professional development and Chartership through our links with institutions such as the ILM, IET, ICE and IMechE.

Alstom is also committed to continuing investment in training and development activities. The Company has invested heavily at both a global and local level in e-learning platforms and technology, providing a wide variety of learning and development opportunities that employees can access anytime, anywhere and via any medium. Particular emphasis has been placed on Safety and Leadership & Management Development (RM3 maturity model) and also leading to ILM accredited management qualifications. A strong focus has also been placed on Equality, Diversity and Inclusivity (EDI) initiatives such as our female development programme and reverse mentoring schemes, to ensure we have great role models who demonstrate fair and inspired leadership at all levels in the organisation.

Diversity remains a high priority. We have made significant strides in improving gender equality and encouraging women into engineering and technical roles. Additional efforts are being made towards improving our representation in other areas. This includes building on the success of the Company's "Voices of Women" group, with the launch of a "Voices of Disability" group and "Voices of LGBT & Allies" group. This helps to measure our progress and actions in these areas.

Our updated EDI strategy and action plan has now been published for 2020-2025 and includes key focus areas which include membership of Stonewall.

We have further learnt from the Gender Pay Gap report in 2019 and continue to make strides towards the Company's internal target of 25% of women in managerial and engineering positions by 2025. We remain members of "Working Forward" and have made significant strides in improving our policies and procedures to support women in the workplace.

Diversity and inclusion training is mandatory for all managers and is delivered as part of our pre-induction process for all new employees. All managers have an EDI objective as part of their performance management cycle in the current year, and behavioural objectives aligned to our core values (Agile, Inclusive and Responsible) are being introduced in the forthcoming performance management cycle.

STRATEGIC REPORT
Year ended 31 March 2020

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

The Company implements Alstom's global Sustainability and Corporate Social Responsibility policy at a country level by focussing on bringing social value and environmental enhancement to local communities. The site-level focus is on education - helping to tackle future skills and diversity deficits through proactive engagement with young people, and community investment - where employees volunteer time to support, or donate items directly, to those in need.

During the year, the Company's STEM (Science, Technology, Engineering & Maths) Ambassadors spent approximately 129 person days engaging with over 1,900 young people, inspiring them to consider the exciting careers available in the rail industry. The activities conducted included supporting work experience placements and site visits to our traincare centres, projects and offices, holding career talks and workshops, attending stands at career fairs and supporting employability through mentoring, interview skills and other methods. The majority of our STEM engagement was with GCSE-age students studying in Years 9 to 11. In a bid to tackle gender stereotypes, we held our third annual female-focussed STEM event in Widnes, inviting 116 Year 9 girls to Cronton College from its pyramid schools to conduct fun hands-on STEM activities. We are core members of the WISE Campaign and use their "My Skills, My Life" interactive resources to encourage girls to consider studies and careers in STEM.

Community investment initiatives received fantastic support from our staff over the last year. 18% of employees used their paid volunteer day to support local community and environmental causes, which when combined with the donation of items and money raised (from site fundraising and match funding initiatives) resulted in an estimated 2,700 beneficiaries. The UK was delighted to secure funding from the Alstom Foundation for 2 projects helping disadvantaged children in 2020; supporting Railway Children to implement their Safeguarding on Transport programme in the North West and supporting the Social Mobility Foundation to run their "Aspiring Professionals Programme" in Liverpool. We work closely with both partners to ensure we maximise support offered to both programmes, including awareness raising and employee involvement. In addition, we have expanded our Foster Packs initiative to become national. We collect items and raise money to make up foster packs for all age groups during the transitional period into emergency foster care, containing all their basic clothing and hygiene needs, plus toys and books to help the young person feel valued and provide a welcome distraction during this challenging time. We donate completed foster packs to the emergency departments of three hospitals across the UK, where the young people arrive for medical examinations before entering care – the impact also benefits the hospital staff, relieving some of the emotional strain by having ready-made packs for the young people in their hour of need.

STRATEGIC REPORT
Year ended 31 March 2020

Statement by the directors in performance of their statutory duties in accordance with s172 (1) of the Companies Act 2006

The Board of Directors of the Company consider that they have properly discharged their duties and acted in good faith so as to promote the success of the Company for the benefit of the members as a whole, having regard to the matters set out in s172(1) (a-f) of the Act in the decisions made in the year ended 31 March 2020. Amongst other matters, the Directors have had regard to:

- the likely consequences of any decisions in the long-term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Company.

It should be noted that the Directors, whilst bearing ultimate responsibility, partly fulfil their duties through an organisational framework that delegates the day-to-day decision-making to the senior management team and certain employees. Any Directors who seek clarification or guidance on what is expected of them to fulfil their duties would be provided with appropriate advice from fellow directors and the input of independent advice where necessary.

Our risk management

Our activities are of vital importance and business critical to all of our customers, and we work in a highly regulated and increasingly complex environment. As our businesses evolves and grows, as Directors, we continually evaluate the risks we face and develop appropriate solutions. Decisions of importance are considered carefully and often independently challenged and validated by the senior management of our parent company, ALSTOM SA. We also engage with third party experts as appropriate to help us identify and manage certain business risks. Further details of our Principal Risks and Uncertainties are on pages 4 and 5.

Our employees

Our success relies on the quality and engagement of our people, both permanent employees and our agency workers, and developing the skills and opportunities for our workforce is of paramount importance. Further details are described in a separate section entitled "Employees" on pages 8 and 9. In addition, the Directors' Report contains details on our involvement of employees and employment of disabled persons. The current Covid-19 crisis has inevitably had a profound impact on each of our employees. The health and safety of those employees remains of paramount importance, and we continue to encourage working from home where this is possible, and where it is not, ensuring social distancing is followed. We continue to maintain an important dialogue with the unions. Covid-19 is discussed further in note 24.

Relationships with our customers and suppliers

At the core of our business strategy is delivery of excellent services to our customers, fostering strong relationships, developing open channels of communication, through both face-to-face meetings and clear written correspondence, listening to feedback and striving for continual improvement. This has never been of more importance than during the current Covid-19 crisis. Before the management team decide to bid for new contracts, including those bid for, and in some cases won in the current financial year, a rigorous and formalized process is followed without exception. In addition, strong relationships with our suppliers are of vital importance.

Environmental responsibilities, health and safety and our CSR activities

All of these areas of vital importance are discussed further in detail in their own dedicated sections on pages 5 to 7 and page 10. During the year, the Directors carefully considered the various environmental priorities and directed funds and management time towards those considered the most vital.

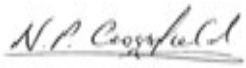
STRATEGIC REPORT
Year ended 31 March 2020

Statement by the directors in performance of their statutory duties in accordance with s172 (1) of the Companies Act 2006 (continued)

Shareholders

All of the Company's shares are held entirely by an intermediate group Company as set out in note 25. Dividends of £62.6m were paid during the year. The Directors considered this to be appropriate in the context of sufficient distributable reserves being available for such purpose and the Company's strong balance sheet and cash position, such that payment of such dividend would not have a prejudicial impact on other stakeholders, including the Company's creditors.

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



N P Crossfield
Director

19 June 2020

DIRECTORS' REPORT
Year ended 31 March 2020

The Directors present their annual report and the financial statements for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

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

DIVIDENDS

The Company paid dividends of £62.6m during the year (2019: £Nil).

FUTURE DEVELOPMENTS

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

EMPLOYEE INVOLVEMENT AND EMPLOYMENT OF DISABLED PERSONS

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

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

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

DIRECTORS' REPORT
Year ended 31 March 2020

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

This is covered in the Strategic Report.

DIRECTORS

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

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

GOING CONCERN

The financial statements have been prepared on a going concern basis. The Directors have reviewed profit forecasts for a period of at least twelve months from the date of approval of the financial statements. These forecasts take into account the impact of Covid-19 on the Company's operations and finances, and are subjected to sensitivity analysis based on scenarios considered realistic. The Company has a strong balance sheet including cash of £244.5m at the balance sheet date, and continues to be profitable in the 2020-21 financial year. Strong cash generation is forecast for the foreseeable future. On the basis of this review, the Directors consider that the Company has adequate funds to meet its liabilities for a period of at least twelve months from the date of approval of the financial statements.

AUDITORS

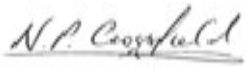
The Directors believe that they have taken reasonable steps in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. Further, they believe that they have taken appropriate steps to ensure that there is no relevant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

MATTERS COVERED IN THE STRATEGIC REPORT

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' report have been omitted as they are included in the Strategic report. These matters relate to financial instrument risk and review of the business performance.

Information required to comply with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon) Regulations 2018 ("Streamlined Energy & Carbon Reporting) is provided in the Strategic Report.

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



N P Crossfield
Director

19 June 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Opinion

We have audited the financial statements of Alstom Transport UK Limited (the 'company') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the Company's financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 pandemic as disclosed in note 24.

As at the date of this report there is a continuing global pandemic from the outbreak of COVID-19. The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The full impact following the recent emergence of the COVID-19 is still unknown. It is therefore not currently possible to evaluate all the potential implications to the Company's trade, customers, suppliers and the wider economy.

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

David Herbinet (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Mazars LLP, Tower Bridge House, St Katharine's Way, London, E1W 1DD

19 June 2020

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2020

	Note	31 March 2020 £m	31 March 2019 £m
TURNOVER	3	**466.3**	**530.4**
Cost of sales		(364.7)	(420.9)
Gross profit		**101.6**	**109.5**
Selling expenses		(9.5)	(9.6)
Administrative expenses		(24.9)	(34.7)
Other Operating income		8.2	-
INCOME FROM OPERATIONS BEFORE RESTRUCTURING AND INTEGRATION COSTS		**75.4**	**65.2**
Restructuring and business integration costs		0.7	(10.5)
INCOME FROM OPERATIONS		**76.1**	**54.7**
Interest receivable		1.3	0.8
Interest payable and similar charges	5	-	(0.1)
Other finance costs	5, 16	(2.6)	(2.3)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		**74.8**	**53.1**
Income tax expense	6	(12.3)	(10.5)
NET PROFIT FROM CONTINUING OPERATIONS		**62.5**	**42.6**
Other comprehensive income: items that will not be reclassified to profit and loss			
Actuarial gains/(losses) recognised in pension schemes	16	18.8	(13.4)
UK deferred tax attributable to actuarial gains/(losses)	6	(3.6)	2.5
Other fair value adjustments through other comprehensive income		(0.1)	0.2
Other comprehensive income/(loss) net of tax		**15.1**	**(10.7)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**77.6**	**31.9**

All results were derived from continuing operations.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2020

		Note	At 31 March 2020 £m	At 31 March 2019 £m
FIXED ASSETS				
Intangible assets		7	7.8	7.9
Tangible assets		8	33.3	35.5
Right-of-Use assets		9	9.8	-
			50.9	**43.4**
CURRENT ASSETS				
Deferred tax assets	-amounts falling due within one year	6	1.0	3.5
	-amounts falling due after one year	6	13.8	15.3
Other operating assets	-amounts falling due within one year	13	8.5	13.4
	-amounts falling due after one year	13	2.8	5.5
Inventories		10	55.3	51.9
Contract assets		11	124.5	130.7
Trade receivables		12	15.6	25.0
Cash and cash equivalents			244.5	193.1
			466.0	**438.4**
CREDITORS: Amounts falling due within one year				
Contract liabilities		11	31.3	28.0
Lease liabilities		17	3.4	-
Trade payables			61.8	52.0
Other current operating liabilities		18	67.1	42.1
			163.6	**122.1**
NET CURRENT ASSETS			**302.4**	**316.3**
TOTAL ASSETS LESS CURRENT LIABILITIES			**353.3**	**359.7**
CREDITORS: Amounts falling due after more than one year				
Employee benefit obligations		16	57.4	73.7
Lease liabilities		17	5.7	-
Provisions for liabilities		15	7.6	18.4
NET ASSETS			**282.6**	**267.6**
CAPITAL AND RESERVES				
Called up share capital		14	220.0	220.0
Retained earnings			62.6	47.6
TOTAL EQUITY			**282.6**	**267.6**

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

S MacLeod (Director) 19 June 2020

STATEMENT OF CHANGES IN EQUITY
31 March 2020

	Share capital	Retained Earnings	Total
	£	£	£m
At 1 April 2018	**220.0**	**16.1**	**236.1**
Profit for the year	-	42.6	42.6
Other comprehensive loss for the year	-	(10.7)	(10.7)
Total comprehensive income for the year	-	31.9	31.9
Recognition of equity-settled share-based payments	-	(0.4)	(0.4)
At 1 April 2019	**220.0**	**47.6**	**267.6**
Profit for the year	-	62.5	62.5
Other comprehensive income for the year	-	15.1	15.1
Total comprehensive income for the year	-	77.6	77.6
Dividends paid	-	(62.6)	(62.6)
At 31 March 2020	**220.0**	**62.6**	**282.6**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements for the year ended 31 March 2020 were authorised for issue by the board of directors as indicated on page 20. ALSTOM Transport UK Limited is a private Company limited by shares and incorporated in the United Kingdom under the Companies Act and registered in England & Wales. The principal activities of the Company are set out in the Directors' Report. Information on its ultimate parent is presented in note 25.

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

The financial statements have been prepared on an historical cost basis, except for assets that have been measured at fair value through profit and loss. They are presented in Sterling and all values are rounded to the nearest million (£m), except when otherwise stated.

Going concern

The financial statements have been prepared on a going concern basis. The Directors have reviewed profit forecasts for a period of at least twelve months from the date of approval of the financial statements. These forecasts take into account the impact of Covid-19 on the Company's operations and finances, and are subjected to sensitivity analysis based on scenarios considered realistic. The Company has a strong balance sheet including cash of £244.5m at the balance sheet date, and continues to be profitable in the 2020-21 financial year. Strong cash generation is forecast for the foreseeable future. On the basis of this review, the Directors consider that the Company has adequate funds to meet its liabilities for a period of at least twelve months from the date of approval of the financial statements.

2. ACCOUNTING POLICIES

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2020. The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of paragraphs 45(b) and 46-52 of IFRS2 *Shared based Payment* ;

(b) the requirements of IFRS7 *Financial Instruments: Disclosures* ;

(c) the requirements of paragraphs 91-99 of IFRS13 *Fair Value Measurement* ;

(d) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements* ;

(e) the requirements of IAS7 *Statement of Cash Flows* ;

(f) the requirements of paragraphs 30 and 31 of IAS8 *Accounting Policies, Changes in Accounting Estimates and Errors* ;

(g) the requirements of paragraph 17 of IAS24 *Related Party Disclosures* ; and

(h) the requirements in IAS24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that the subsidiary which is a party to the transaction is wholly owned by such a member.

(i) 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 IFRS15 *Revenue from Contracts with Customers.*

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

2. ACCOUNTING POLICIES (continued)

New standards and interpretations mandatorily applicable for financial periods beginning on 1 April 2019

The Company has applied IFRS16 with a date of initial application of 1 April 2019. As a result, the Company has changed its accounting policy for lease contracts as described below.

The Company elected to apply IFRS16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS17 and IFRIC4. In the comparative period, as a lessee applying IAS17, the amounts included in the financial statements for assets classified as finance leases was not material. Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease.

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS16, the Company assesses whether a contract is or contains a lease based on the definition of a lease as described later in this note.

On transition to IFRS16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS16 was applied to contracts entered into or changed on or after 1 April 2019.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS16, the Company recognises right-of-use (ROU) assets and liabilities for most leases on the balance sheet.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate at 1 April 2019. ROU assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company used the following practical expedients when applying IFRS16 to leases previously classified as operating leases under IAS17:

- Application of a single discount rate to a portfolio of leases with similar characteristics;
- Application of the exemption not to recognise ROU assets and liabilities for leases with less than 12 months of lease term;
- Exclusion of initial direct costs from measuring the ROU asset at the date of initial application; and
- The use of hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impact on the financial statements

On transition to IFRS16, as set out in note 26, the Company recognised an additional £9.2m of right-of-use assets and £9.3m of lease liabilities, the difference being a result of adjusting for accrued lease rentals. In addition, £0.1m was reclassified from tangible assets to right of use assets. There was no overall impact on opening equity. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 1 April 2019, which takes the risk-free rate, adjusted for factors such as the credit rating linked to the life of the underlying lease agreement. For leases with a length of up to 4 years, the rate applied was 1.25%. Leases of a longer duration use higher rates, up to a maximum of 3.05% for the Company's longest lease.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

2. ACCOUNTING POLICIES (continued)

New standards and interpretations mandatorily applicable for financial periods beginning on 1 April 2019

	1 April 2019 £m
Operating lease commitments at 31 March 2019 as disclosed in the financial statements	8.2
Lease liabilities recognised at 31 March 2019	-
Recognition exemption for:	
short term leases	(0.1)
Extension options reasonably certain to be exercised	2.4
Lease liabilities at 1 April 2019 before discounting	**10.5**
Discounted using the incremental borrowing rate at 1 April 2019	(1.2)
Lease liabilities recognised at 1 April 2019	**9.3**

The Company has not opted for early application at 31 March 2020 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.

Use of estimates

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

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

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

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

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

Obligations on contracts may result in penalties due to late completion of contractual milestones, or unanticipated costs due to project modifications, suppliers or subcontractors' failure to perform or delays caused by unexpected conditions or events. Warranty obligations are affected by product failure rates, material usage and service delivery costs incurred in correcting failures. Although the Company makes individual assessments on contracts, there is a risk that actual costs related to those obligations may exceed the initial estimates. Estimates of contract costs and revenues at completion in the case of contracts in progress and estimates of provisions in the case of completed contracts may then have to be re-assessed.

2. ACCOUNTING POLICIES (continued)

Use of estimates (continued)

Taxation

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

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

Measurement of post-employment defined employee benefits

The measurement of obligations and assets related to defined benefit pension plans makes it necessary to use several statistical and other factors that attempt to anticipate future events. These factors include assumptions about the discount rate, the expected return on plan assets, the rate of future compensation increases as well as withdrawal and mortality rates. If actuarial assumptions materially differ from actual results, it could result in a significant change in the employee benefit expense recognised in the income statement, actuarial gains and losses recognised in other comprehensive income and accrued benefits. The carrying amount for post-employment defined employee benefits liability is included in note 16 to the financial statements.

Significant judgements

IFRS15: Revenue from contracts with customers

With regard to application of IFRS15, the Directors have reviewed and continually re-assess the following areas involving judgement, which impact on the accounting for contracts:

- Combination or separation of contracts. Extensions of existing long-term service agreements are considered as a separate contract, whilst other scope changes give rise to higher levels of judgement on a contract by contract basis;
- Assessment as to whether a bundle of goods and/or services are distinct within the context of the contract and hence whether there is a single performance obligation (PO) or multiple PO's. Combined 'maintenance and spare parts' contracts are normally considered as a single PO, as are 'maintenance and depot provision' contracts, since they normally comprise highly customised and integrated systems (outputs) for which the customer has specifically contracted;
- The application of variable consideration constraints when determining the transaction price, specifically including when it is appropriate to recognise non-agreed variation orders as highly probable, application of variable constraints for inflation-based contract price adjustments and application of variable constraints to target cost contracts;
- The assessment as to whether there is any significant financing component to be separated; and
- Assessment of whether transfer of control over time is appropriate with revenue recognised on a cost-to-cost method, on the basis that there is simultaneous reception and consumption of the goods and services for long term service agreements, and both enforceable right to payment for performance completed to date and no alternative use in practice for construction contracts.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

2. ACCOUNTING POLICIES (continued)

Significant judgements (continued)

Lease liabilities and right-of-use assets

The application of IFRS16 requires the Company to make judgments that affect the valuation of lease liabilities and the valuation of right-of-use assets. These include determining contracts in the scope of IFRS16 and determining the contract term.

The lease term determined by the Company comprises non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

Significant accounting policies

Revenue recognition

The amount of revenue arising from a transaction is usually determined by the contractual agreement with the customer. In the case of construction contracts and long-term service agreements, contract value should only include the sales value of some or all of an amount of variable consideration (such as claims and non-agreed variation orders) when they are agreed with customers or have a high probability of being received. Some of the Company's contracts comprise target cost contracts that are by their nature variable consideration contracts.

All contracts are reviewed to establish whether they contain a significant financing component. In the rare instance that this was applicable, this would be accounted for in accordance with IFRS15.

Certain of the Company's contracts are billed to the customer through a fellow group undertaking. However, in all such cases, the performance obligations are fully satisfied by the Company, such that in substance the Company is considered to hold the contract with the customer, and accounts for contract activity as the principal.

Penalties are taken into account in reduction of contract revenue as soon as they are probable. Turnover is shown net of VAT.

Revenue on the sale of manufactured products and service contracts which are of less than one year in duration is recognised when the significant risks and rewards of ownership are transferred to the customer, which generally occurs on delivery and performance of service activities. Revenue on construction contracts and long-term service agreements is recognised on the percentage of completion method: the percentage of completion is based on the cost to cost method, whereby revenue is recognised for each performance obligation based on the percentage of costs incurred to date divided by the total costs expected at completion.

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

When it is probable that contract costs at completion will exceed total contract revenue, the expected loss is recognised immediately as an expense.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

2. ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

With respect to construction contracts and long-term service agreements, following the transition to IFRS15, new aggregates called "Contract assets" and "Contract liabilities" are disclosed, determined on a contract by contract basis. "Contract assets" correspond to the unbilled part of revenues recognised to date net of the advance payments received from customers. Unbilled part of revenue corresponds to revenue recognized to date in excess of progress billings. On the contrary, when progress billings are in excess of revenue recognised to date, the net amount is accounted for as deferred income and aggregated with the related advance payments received from customers under the caption "Contract liabilities".

For costs incurred in fulfilling a contract that are within the scope of other standards, notably IAS2 Inventories, and IAS16 Property, Plant and Equipment, these costs should be accounted for in accordance with those other standards that apply primarily. For other costs incurred in fulfilling a contract that are not in the scope of the standards stated above, those costs are accounted for under a new caption called "costs to fulfil a contract" when eligible for capitalisation. These amounts are not significant enough to warrant further disclosure in these financial statements.

In respect of the accounting for costs incurred in obtaining contracts, the amounts involved are not significant enough to warrant further disclosure in these financial statements.

Joint arrangements

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

Business combinations

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

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

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

Goodwill

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

2. ACCOUNTING POLICIES (continued)

Goodwill (continued)

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

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

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

Intangible assets

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

Acquired intangible assets

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

Internally generated intangible assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

2. ACCOUNTING POLICIES (continued)

Leases

Effective 1 April 2019, 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

This policy is applied to contracts entered into, or changed, on or after 1 April 2019.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

2. ACCOUNTING POLICIES (continued)

Foreign currency transactions

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

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

Fair value hedge accounting

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

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

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

With regard to the implementation of IFRS9, when the Company designates only foreign exchange spot changes as hedged item, the cost of hedging approach will be retained, allowing the Company to recognise the change in fair value of forward points in Other Comprehensive Income (rather than the Income Statement under IAS39).

Equity-settled share-based payments

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

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

Further details of the share-based payment plans impacting the Company during the current and prior year are given in note 4.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

2. ACCOUNTING POLICIES (continued)

Tangible fixed assets

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

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

Freehold buildings – between 10 and 40 years;
Leasehold property – over period of lease or 50 years for long leases;
Other plant and equipment – between 3 and 25 years.

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

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

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

Inventories

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

Receivables

Receivables are initially recognised at fair value, which in most cases approximates to the nominal value. They are subsequently re-measured at amortised cost using the effective interest rate method. They are reviewed for impairment by applying the expected credit loss model, in accordance with IFRS9. Any difference between the carrying value and the impaired value (net realisable value) is recorded within income from operations. The impairment loss can be reversed if the value is recovered in the future. In that case, the reversal of the impairment loss is reported within income from operations.

Cash and cash equivalents

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

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

2. ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

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

Provisions

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

2. ACCOUNTING POLICIES (continued)

Employee Benefits – pensions and other post-retirement benefits

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

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

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

Payables

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

Government grants

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

3. TURNOVER

The geographical analysis of turnover by destination is as follows:

	2020	2019
	£m	£m
United Kingdom	462.8	528.3
Europe	2.5	1.2
Australasia and Asia	0.5	0.6
Americas	0.5	0.3
	466.3	**530.4**

Turnover is analysed as follows:

	2020	2019
	£m	£m
Manufactured products & service contracts less than 1-year duration	49.0	48.5
Construction contracts and long-term service agreements	417.3	481.9
	466.3	**530.4**

4. INCOME FROM OPERATIONS

Income from operations is stated after taking into account the following items:

Research and development expenses

An amount of £15.9m (2019: £14.3m) is included in cost of sales, which includes charges for use of technology owned by other group companies.

Auditor's remuneration

The auditor's remuneration for the year ended 31 March 2020 in respect of the audit of the financial statements was £164,000 (2019: £172,000), in addition to £Nil (2019: £2,750) for the provision of non-audit services.

Exchange gains and losses

Foreign exchange losses recognised in cost of sales amount to £0.6m (2019: losses of £0.4m) of which a £0.6m loss relates to hedged items (2019: £0.3m gain).

Share based payment expense

The credit for the year ended 31 March 2019 amounted to £0.4m in respect of a free share plan, named "We are Alstom". Further details including any assumptions applied to calculate the share-based payment charge, are disclosed in the 2019 financial statements of ALSTOM.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

4. INCOME FROM OPERATIONS (continued)

Share based payment expense (continued)

During the year, all of the Company's employees were entitled to participate in a Groupwide share plan named "We share Alstom". Under this plan, employees could each elect to invest in up to 500 Euros in ALSTOM shares and receive a 20% discount on the subscription price, a 50% matching contribution from ALSTOM and a protection on the investment as well as the opportunity to benefit from increases in the price of the shares. Further information is disclosed in the 2020 financial statements of ALSTOM. Based on the number of employees subscribing for this offer, the financial impact on the Company is not significant for the current year, and no further details are therefore disclosed.

5. INTEREST PAYABLE AND OTHER FINANCE COSTS

	2020 £m	2019 £m
Interest payable and similar charges		
-Interest paid on lease liabilities	(0.2)	-
-Other	0.2	(0.1)
	-	**(0.1)**
Finance (costs)/income on employee benefit obligations (note 16)		
- Finance income	6.8	7.7
- Finance costs	(9.4)	(10.0)
	(2.6)	**(2.3)**

6. INCOME TAX EXPENSE

	2020 £m	2019 £m
Current taxation		
Current taxation charge for the year	(8.3)	-
Group relief payable	(3.5)	-
Adjustments in respect of prior year	-	2.7
	(11.8)	2.7
Deferred taxation:		
Deferred taxation charge for the year	(2.4)	(13.7)
Adjustments in respect of prior year	0.4	0.5
Effect of future rate remaining at 19%	1.5	-
	(0.5)	(13.2)
Income tax expense reported in the Statement of Comprehensive Income	**(12.3)**	**(10.5)**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

6. INCOME TAX EXPENSE (continued)

A reconciliation between the tax expense and the Company's accounting profit multiplied by the UK Corporation tax rate for the year ended 31 March 2020 and the prior year is as follows:

	2020 £m	2019 £m
Profit on ordinary activities before taxation	74.8	53.1
Tax charge at standard rate of 19% (2019: 19%)	(14.2)	(10.1)
Factors affecting charge for the year:		
Permanent differences	-	(0.4)
Losses carried back to prior year	-	(3.2)
Adjustments in respect of prior year	0.4	3.2
Change in future tax rate	1.5	-
Income tax expense reported in the Statement of Comprehensive Income	**(12.3)**	**(10.5)**

Deferred tax

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

	2020 Recognised £m	2019 Recognised £m
Tax losses	-	1.5
Differences between carrying amount and tax base of tangible and intangible assets	3.2	3.1
Employee benefit obligations	10.9	12.8
Other timing differences	0.7	1.4
	14.8	**18.8**

The Directors are satisfied as to the recoverability of the recognised deferred tax assets at 31 March 2020 based on the Company's business plan, as approved by the Board of Directors.

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

6. INCOME TAX EXPENSE (continued)

The deferred tax movement for the year is as follows:

	Pension scheme liability £m	Losses and other temporary differences £m	Total £m
Balance at 1 April 2018	**9.3**	**20.2**	**29.5**
(Charged)/credited to income statement			
Current period	1.0	(14.7)	(13.7)
Adjustments in respect of prior year	-	0.5	0.5
Credited to Other Comprehensive Income	2.5	-	2.5
Balance at 1 April 2019	**12.8**	**6.0**	**18.8**
(Charged)/credited to income statement			
Current period	0.5	(2.9)	(2.4)
Adjustments in respect of prior year	0.1	0.4	0.5
Charged to Other Comprehensive Income	(3.6)	-	(3.6)
Change in future tax rate	1.1	0.4	1.5
Balance at 31 March 2020	**10.9**	**3.9**	**14.8**

7. INTANGIBLE ASSETS

	Software £m	Goodwill £m	Other Intangible Assets £m	Total £m
Cost				
At 1 April 2019 and 31 March 2020	**5.5**	**7.2**	**1.8**	**14.5**
Accumulated depreciation				
At 1 April 2019	5.5	-	1.1	6.6
Charge for amortisation	-	-	0.1	0.1
At 31 March 2020	**5.5**	**-**	**1.2**	**6.7**
Net book value				
At 31 March 2020	**-**	**7.2**	**0.6**	**7.8**
At 31 March 2019	-	7.2	0.7	7.9

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

The impairment test at 31 March 2020 (using the 3 year plan and an after tax discount rate of 8.5%) supports the Directors' opinion that goodwill is not impaired, as the recoverable amounts of the businesses to which the goodwill relates, calculated on a value in use basis, significantly exceeded their carrying value. No reasonably possible change in assumptions has been identified that would give rise to an impairment.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

8. TANGIBLE FIXED ASSETS

	Land and Buildings £m	Plant and Machinery £m	Other Plant and Equipment £m	Assets in course of construction £m	Total £m
Cost					
At 1 April 2019 – historic	23.1	35.7	1.2	1.6	61.6
Reclassification	(0.2)	0.2	-	-	-
Reclassification for IFRS16 (note 9)	-	(0.2)	-	-	(0.2)
Additions	0.4	2.3	-	-	2.7
Disposals	(0.6)	(0.4)	(0.1)	-	(1.1)
Transfers	1.6	-	-	(1.6)	-
At 31 March 2020	**24.3**	**37.6**	**1.1**	**-**	**63.0**
Accumulated depreciation					
At 1 April 2019	1.5	23.5	1.1	-	26.1
Reclassification	0.9	(0.9)	-	-	-
Reclassification for IFRS16 (note 9)	-	(0.1)	-	-	(0.1)
Charge for depreciation	-	4.8	-	-	4.8
Disposals	(0.6)	(0.4)	(0.1)	-	(1.1)
At 31 March 2020	**1.8**	**26.9**	**1.0**	**-**	**29.7**
Net book value					
At 31 March 2020	**22.5**	**10.7**	**0.1**	**-**	**33.3**
At 31 March 2019	21.6	12.2	0.1	1.6	35.5

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

9. RIGHT-OF-USE ASSETS

	Land and Buildings £m	Plant and Machinery £m	Other Plant and Equipment £m	Total £m
Cost				
At 1 April 2019 – historic	-	-	-	-
Reclassification for IFRS16 (note 8)	-	0.2	-	0.2
Change in accounting policy- note 2	7.0	0.1	2.0	9.1
Additions	3.4	0.1	0.8	4.3
At 31 March 2020	**10.4**	**0.4**	**2.8**	**13.6**
Accumulated depreciation				
At 1 April 2019	-	-	-	-
Reclassification for IFRS16 (note 8)	-	0.1	-	0.1
Charge for depreciation	2.5	0.1	1.1	3.7
At 31 March 2020	**2.5**	**0.2**	**1.1**	**3.8**
Net book value				
At 31 March 2020	**7.9**	**0.2**	**1.7**	**9.8**
At 31 March 2019	-	-	-	-

10. INVENTORIES

	2020 £m	2019 £m
Raw materials and components	51.2	47.0
Work in progress	1.6	2.6
Finished goods	2.5	2.3
	55.3	**51.9**

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

11. NET CONTRACT ASSETS

	2020 £m	2019 £m
Contract assets	124.5	130.7
Contract liabilities	(31.3)	(28.0)
Net contract assets	**93.2**	**102.7**

Aggregates called "contract assets" and "contract liabilities" are disclosed for construction contracts and long-term service agreements in progress and are determined on a contract by contract basis. The aggregate "contract assets" corresponds to the unbilled part of revenues recognised to date net of the advance payments received from customers. Unbilled part of revenue corresponds to revenue recognised to date in excess of progress billings. On the contrary, when progress billings are in excess of revenue recognised to date, the net amount is accounted for as deferred income and aggregated with the related advance payments received from customers under the caption "contract liabilities".

Contract liabilities include down-payments for £14.4m at 31 March 2020 and £5.2m at 31 March 2019.

In both the current and previous financial period, the opening contract liability balance reversed into revenue in the financial year.

No impairment losses were recognised (in accordance with IFRS9), in either the current and previous financial year on any receivables or contract assets arising from the Company's contracts with customers.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

12. TRADE RECEIVABLES

	2020 £m	2019 £m
Trade receivables	11.5	19.3
Receivables from related parties	4.1	5.7
	15.6	**25.0**

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

IFRS9 acknowledges the recognition of credit risk related to financial assets and especially trade receivables based on the expected loss approach. The application of IFRS9 impairment requirements result in impairment losses determined considering a risk of non-recovery assessed only on a case-by-case basis. Due to the type of business operated by the Company, past due receivables are frequently representative of outstanding amounts confirmed by customers but whose payment is subject to clearance of items raised during inspection of works. Such receivables do remain fully recoverable; costs to be incurred for the clearance of pending items are included in the determination of the margin at completion of the related contracts.

13. OTHER OPERATING ASSETS

	2020 £m	2019 £m
Prepayments and accrued income	1.9	2.1
Corporation tax recoverable	-	3.7
Other receivables	8.2	11.7
Derivatives relating to operating activities	1.2	1.2
Remeasurement of hedged firm commitments	-	0.2
	11.3	**18.9**

Other receivables include amounts of £2.8m (2019: £5.5m) which fall due outside of one year.

14. SHARE CAPITAL

	2019 and 2020 £m
Allotted, called-up and fully paid	
220,000,000 ordinary shares of £1 each	**220.0**

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

15. PROVISIONS

	Warranty £m	Contract Risks (incl. Penalties & Claims) £m	Restructuring £m	Other £m	Total £m
At 1 April 2019	**0.9**	**7.5**	**9.6**	**0.4**	**18.4**
Additions	1.0	3.8	-	-	4.8
Utilised	-	(6.5)	(6.4)	-	(12.9)
Released	(0.4)	(0.6)	(1.3)	(0.4)	(2.7)
At 31 March 2020	**1.5**	**4.2**	**1.9**	**-**	**7.6**

Of the total provisions of £7.6m at 31 March 2020, an amount of £5.7m is estimated to fall due within one year, and £1.9m to fall due outside of one year.

a) Warranty – The provision is established to recognise known and expected claims against delivered products or services within the contractual guarantee periods for such sales. The expenditure is expected to be mainly incurred over the next 12 to 30 months, in line with the contractual warranty periods.

b) Contract Risks (incl. Penalties & Claims) – These provisions relate to risks on contracts including anticipated risks related to non-performance in respect of contractual terms for delivery and performance. The utilisation of these provisions is anticipated to be within 2 years.

c) Restructuring – These provisions are established to cover the costs of ongoing reorganisation within the Company including costs of reducing manpower, relocating premises and onerous property leases. The majority is expected to be largely utilised within 1 year.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

16. EMPLOYEE BENEFIT OBLIGATIONS (PENSION SCHEMES)

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

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

	2020 £m	2019 £m
Railways Pension Scheme		
Alstom Railways Shared Cost Section	(7.3)	(9.0)
West Coast Traincare Shared Cost Section	(43.4)	(54.4)
Alstom Signalling Shared Cost Section	(6.7)	(10.3)
Net pension deficit	**(57.4)**	**(73.7)**

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

	2020 £m	2019 £m
Actuarial gain/(loss) recognised in pension schemes:		
Railways Pension Scheme		
Alstom Railways Shared Cost Section	4.3	(5.9)
West Coast Traincare Shared Cost Section	10.5	(6.6)
Alstom Signalling Shared Cost Section	4.0	(0.9)
	18.8	**(13.4)**

Since incorporation, the cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income, before accounting for taxation, is losses of £27.0m (2019: losses of £45.8m).

Railways Pension Scheme

The Company is the Designated Employer of three Sections of the Railways Pension Scheme. The assets of each of these Sections are held in separate trustee administered funds which are independent of the Company finances, and identified separately from the remainder of the Railways Pension Scheme. All of Alstom's employees in these sections are ALSTOM Transport UK Limited employees; there are no other participating employers. The disclosures required under IAS19 have been calculated by a qualified independent actuary and are based on the most recent full actuarial valuations as at 31 December 2016 updated to 31 March 2020.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

16. EMPLOYEE BENEFIT OBLIGATIONS (PENSION SCHEMES) (continued)

Railways Pension Scheme (continued)

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

At 31 March 2020	West Coast Traincare Section £m	Alstom Railways Section £m	Alstom Signalling Section £m	Total £m
Present value of funded obligations	(162.1)	(170.4)	(31.7)	(364.2)
Fair value of plan assets	118.7	163.1	25.0	306.8
(Deficit)/Surplus in the Scheme	**(43.4)**	**(7.3)**	**(6.7)**	**(57.4)**

At 31 March 2019	West Coast Traincare Section £m	Alstom Railways Section £m	Alstom Signalling Section £m	Total £m
Present value of funded obligations	(185.1)	(183.8)	(35.1)	(404.0)
Fair value of plan assets	130.7	174.8	24.8	330.3
(Deficit)/Surplus in the Scheme	**(54.4)**	**(9.0)**	**(10.3)**	**(73.7)**

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

	West Coast Traincare Section £m	Alstom Railways Section £m	Alstom Signalling Section £m	2020 Total £m
Current service cost	(2.5)	(3.7)	(0.8)	**(7.0)**
Interest income	2.7	3.6	0.5	**6.8**
Interest on scheme liabilities	(3.9)	(3.9)	(0.7)	**(8.5)**
Other finance costs	(0.5)	(0.3)	(0.1)	**(0.9)**
Total finance costs	(1.7)	(0.6)	(0.3)	**(2.6)**
Total charge in the Statement of Comprehensive Income	(4.2)	(4.3)	(1.1)	**(9.6)**
Actual return on pension scheme assets	(8.2)	(7.5)	(0.1)	**(15.8)**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

16. EMPLOYEE BENEFIT OBLIGATIONS (PENSION SCHEMES) (continued)

Railways Pension Scheme (continued)

	West Coast Traincare Section £m	Alstom Railways Section £m	Alstom Signalling Section £m	2019 Total £m
Current service cost	(3.0)	(4.1)	(0.9)	**(8.0)**
Interest income	3.0	4.1	0.6	**7.7**
Interest on scheme liabilities	(4.2)	(4.2)	(0.8)	**(9.2)**
Other finance costs	(0.4)	(0.3)	(0.1)	**(0.8)**
Total finance costs	(1.6)	(0.4)	(0.3)	**(2.3)**
Past service cost	(0.2)	(1.2)	-	**(1.4)**
Total charge in the Statement of Comprehensive Income	(4.8)	(5.7)	(1.2)	**(11.7)**
Actual return on pension scheme assets	7.5	8.3	1.5	**17.3**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

16. EMPLOYEE BENEFIT OBLIGATIONS (PENSION SCHEMES) (continued)

Railways Pension Scheme (continued)

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

	West Coast Traincare Section £m	Alstom Railways Section £m	Alstom Signalling Section £m	Total £m
Defined benefit obligation at 1 April 2018	**(170.0)**	**(170.0)**	**(32.3)**	**(372.3)**
Current service cost	(3.0)	(4.1)	(0.9)	(8.0)
Past service cost	(0.2)	(1.2)	-	(1.4)
Contributions by employees	(1.2)	(1.1)	(0.3)	(2.6)
Interest cost	(4.2)	(4.2)	(0.8)	(9.2)
Other finance costs	(0.4)	(0.3)	(0.1)	(0.8)
Actuarial (loss)/gain – experience	(2.1)	(2.7)	0.1	(4.7)
Actuarial loss– change in financial assumptions	(9.0)	(7.4)	(1.9)	(18.3)
Benefits paid	5.0	7.2	1.1	13.3
Defined benefit obligation at 1 April 2019	**(185.1)**	**(183.8)**	**(35.1)**	**(404.0)**
Current service cost	(2.5)	(3.7)	(0.8)	(7.0)
Contributions by employees	(0.9)	(1.0)	(0.3)	(2.2)
Interest cost	(3.9)	(3.9)	(0.7)	(8.5)
Other finance costs	(0.5)	(0.3)	(0.1)	(0.9)
Actuarial (loss)/gain – experience	(1.3)	(1.5)	(0.2)	(3.0)
Actuarial gain–change in financial assumptions	22.7	16.9	4.8	44.4
Benefits paid	9.4	6.9	0.7	17.0
Defined benefit obligation at 31 March 2020	**(162.1)**	**(170.4)**	**(31.7)**	**(364.2)**

The average duration of the defined benefit obligations at the end of the reporting period is 21 years for the West Coast Traincare Shared Cost Section, 17 years for the Alstom Railways Shared Cost Section and 23 years for the Alstom Signalling Shared Cost Section.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

16. EMPLOYEE BENEFIT OBLIGATIONS (PENSION SCHEMES) (continued)

Railways Pension Scheme (continued)

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

	West Coast Traincare Section £m	Alstom Railways Section £m	Alstom Signalling Section £m	Total £m
Fair value of plan assets at 1 April 2018	**123.3**	**170.6**	**23.6**	**317.5**
Interest income	3.0	4.1	0.6	7.7
Return on plan assets (excluding amounts included in interest income)	4.5	4.2	0.9	9.6
Contributions by employer	3.7	2.0	0.5	6.2
Contributions by employees	1.2	1.1	0.3	2.6
Benefits paid	(5.0)	(7.2)	(1.1)	(13.3)
Fair value of plan assets at 1 April 2019	**130.7**	**174.8**	**24.8**	**330.3**
Interest income	2.7	3.6	0.5	6.8
Return on plan assets (excluding amounts included in interest income)	(10.9)	(11.1)	(0.6)	(22.6)
Contributions by employer	4.7	1.8	0.7	7.2
Contributions by employees	0.9	0.9	0.3	2.1
Benefits paid	(9.4)	(6.9)	(0.7)	(17.0)
Fair value of plan assets at 31 March 2020	**118.7**	**163.1**	**25.0**	**306.8**

The Company contributions to the Alstom Railways Shared Cost Section, West Coast Traincare Shared Cost Section and Alstom Signalling Shared Cost Section were at a rate of 20.44%, 20.66% and 19.22% of section pay (plus monthly lump sum contributions of £290,800). The Company expects to contribute a total of £7.2m to the Railways Pension Scheme in respect of these three sections during the year ending 31 March 2021.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

16. EMPLOYEE BENEFIT OBLIGATIONS (PENSION SCHEMES) (continued)

Railways Pension Scheme (continued)

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

At 31 March 2020	West Coast Traincare Section £m	Alstom Railways Section £m	Alstom Signalling Section £m	Total £m
Equities	95.6	108.3	22.5	226.4
Bonds	23.0	54.6	2.4	80.0
Other	0.1	0.2	0.1	0.4
Total fair value of plan assets	**118.7**	**163.1**	**25.0**	**306.8**

At 31 March 2019	West Coast Traincare Section £m	Alstom Railways Section £m	Alstom Signalling Section £m	Total £m
Equities	102.3	106.8	22.2	231.3
Bonds	28.2	67.5	2.5	98.2
Other	0.2	0.5	0.1	0.8
Total fair value of plan assets	**130.7**	**174.8**	**24.8**	**330.3**

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

16. EMPLOYEE BENEFIT OBLIGATIONS (PENSION SCHEMES) (continued)

Railways Pension Scheme (continued)

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

	2020 % per annum	2019 % per annum
Discount rate at 31 March	2.55	2.45
Rate of increase in salaries	2.95	3.55
Rate of increase in pensions	1.55	2.05
Rate of price inflation – CPI	1.55	2.05

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

The assumptions used have a significant effect on the actuarial valuation of the Scheme liabilities. The following sensitivity analysis for each of the assumptions used to measure the actuarial valuation of the Scheme's liabilities shows the increase or decrease in the funded obligation at 31 March 2020:

West Coast Traincare Shared Cost Section

Impact on funded obligation	Increase by 0.25% £m
Discount rate	(8.1)
Increase in pensions	5.8
Increase in salaries	1.6
Other inflation linked benefits	1.1
Inflation-linked assumptions	8.5

Alstom Railways Shared Cost Section

Impact on funded obligation	Increase by 0.25% £m
Discount rate	(7.0)
Increase in pensions	5.2
Increase in salaries	0.3
Other inflation linked benefits	0.9
Inflation-linked assumptions	6.4

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

16. EMPLOYEE BENEFIT OBLIGATIONS (PENSION SCHEMES) (continued)

Railways Pension Scheme (continued)

Alstom Signalling Shared Cost Section

Impact on funded obligation	Increase by 0.25% £m
Discount rate	(1.8)
Increase in pensions	1.3
Increase in salaries	0.4
Other inflation linked benefits	0.1
Inflation-linked assumptions	1.8

History of experience adjustments:

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Defined benefit obligation	(364.2)	(404.0)	(372.3)	(386.8)	(291.0)
Plan assets	306.8	330.3	317.5	301.6	251.2
Deficit	(57.4)	(73.7)	(54.8)	(85.2)	(39.8)
Experience (loss)/gain on plan liabilities	(3.0)	(4.7)	(7.3)	3.7	3.8
Experience (loss)/gain on plan assets	(22.6)	9.6	11.5	24.8	(9.2)

Defined contribution arrangements

All qualifying employees are entitled to participate in a Group Personal Plan arrangement, the Alstom UK Group Personal Pension Plan. All of the assets are held in funds independent of the Company's finances. The total amount charged to the Statement of Comprehensive Income for the year was £4.1m (2019: £3.7m).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

17. LEASE LIABILITIES

Maturity analysis – contractual undiscounted cash flows

	2020 £m	2019 £m
Within one year	3.4	-
Between one to five years	4.3	-
More than five years	2.4	-
Total undiscounted lease liabilities	**10.1**	**-**

Lease liabilities included in the statement of financial position

Current	3.4	-
Non-current	5.7	-
	9.1	**-**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

18. OTHER CURRENT OPERATING LIABILITIES

	2020 £m	2019 £m
Owed to related parties	21.8	3.0
Corporation tax	4.4	1.2
Other taxes and social security	17.4	13.7
Other creditors, accruals and deferred income	21.7	22.7
Derivatives relating to operating activities	1.2	1.4
Remeasurement of hedged firm commitments	0.6	0.1
	67.1	**42.1**

19. DIRECTORS AND EMPLOYEES

Average total employees by function:	2020 No	2019 No
Manufacturing and engineering	1,427	1,564
Commercial	70	90
Management and administration	277	292
	1,774	1,946

Employee costs:	2020 £m	2019 £m
Wages and salaries	85.1	89.5
Social security costs	9.6	9.9
Pension costs	11.1	11.7
Share-based payment credit	-	(0.4)
	105.8	110.7

The employee numbers and costs shown above include agency workers.
The average number of agency workers for the year was 409 (2019: 470).

Pension costs comprise:	2020 £m	2019 £m
Defined benefit schemes (note 16)	7.0	8.0
Defined contribution and group personal pension plans	4.1	3.7
	11.1	11.7

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

19. DIRECTORS AND EMPLOYEES (continued)

Directors' emoluments:	**2020**	**2019**
	£m	**£m**
Salary and benefits	1.5	1.6
Company contributions to defined contribution pension arrangements	0.1	0.1
	1.6	1.7

	2020	**2019**
	No	**No**
Directors who are members of a defined benefit pension scheme	2	2
Directors who received benefits under defined contribution pension arrangements	4	4

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

Highest paid Director:	**2020**	**2019**
	£m	**£m**
Salary and benefits	0.4	0.4
Highest paid Director's total remuneration	0.4	0.4

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

	2020 Sterling equivalent £m	2019 Sterling equivalent £m
Purchase foreign currencies forward	31	45
Sell foreign currencies forward	(12)	(31)

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.

21. COMMITMENTS AND CONTINGENCIES

a) Capital Commitments

	2020 £m	2019 £m
Contracted for but not provided in the financial statements	1.2	0.3

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

21. COMMITMENTS AND CONTINGENCIES (continued)

b) Guarantees related to contracts

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

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

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

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

c) Product liability

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

22. RELATED PARTY TRANSACTIONS

The Company's parent undertaking, ALSTOM Transport UK (Holdings) Limited has a 33.3% shareholding in ABC Electrification Limited. During the year ended 31 March 2020, the Company charged an amount of £0.3m (2019: £4.0m) to ABC Electrification Limited in respect of costs and management fees.

At the balance sheet date, there was an amount due from ABC Electrification Limited of £2.4m (2019: £2.1m).

23. EVENTS SINCE THE BALANCE SHEET DATE

Naturally, the impact of Covid-19 continues to be felt, both in terms of impact on operations and on how our people work. The situation can change almost daily and the management team closely monitor developments and plan accordingly. Further details can be found in note 24. With the exception of this, there has been no significant events occurring since the balance sheet date that need to be disclosed.

24. COVID-19

At the time of approval of these financial statements, the UK business is on the recovery from the COVID-19 situation with the requisite isolation measures imposed by the UK government as well as self-imposed restrictions in order to keep our people as safe as possible. The number of those in 7 or 14 day isolation is now into the low single figures and the number of those personnel that need to shield themselves is below 0.2% of the overall UK workforce. We continue to monitor workforce levels by site on a daily basis to assure ourselves that we are maintaining a safe railway operation.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

24. COVID-19 (continued)

In terms of business continuity we remain committed to supporting the delivery of essential services on the UK rail infrastructure in all of our projects. With our main customers being franchised train operating companies, Network Rail and Transport for London, our risk exposure in terms of customer insolvency is relatively low, certainly given that the UK government has agreed temporary management contracts with train operators, in effect a temporary nationalisation. These management contracts transfer the revenue risk to the UK government with the application of a management fee for the operator. Our position is stable in any case as our contracts are designated as 'Key contracts' and would transfer to any subsequent operator under the Railways Act 1993. Network Rail has agreed to pay on improved terms in order to maintain cash flow, requiring ourselves to do the same for our suppliers. We are monitoring our supply chain of over 1,000 suppliers, identifying risks and implementing appropriate mitigations so that we can continue to deliver for our customers.

On the Rolling Stock side, we continue to deliver customer requirements. General travel restrictions saw a stark drop in patronage during March and April 2020 but from mid-May, services are being increased in anticipation of increased patronage, albeit with restrictions, as lockdown measures are gradually relaxed.

This side of the business however has taken the opportunity, whilst protecting maintenance staff through full issue of personal protective equipment (PPE), to clear deferred works and concessions, improving the quality of the fleet offering. Those who are not physically maintaining trains are working from home as per government requirements and continue to maintain business as usual activities as well as plan for a possible staged approach to returning to 'normal' activities within the coming financial year.

In SS&I, we continue to maintain critical infrastructure and where work can be undertaken safely and in line with government requirements, we are continuing at worksite locations, though this is on a case by case basis. Design work and other business as usual activities continue with remote working from home, with physical project works in the main coming later in the year or being deferred by customers.

25. PARENT UNDERTAKINGS

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

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2020

26. IMPACT OF APPLICATION OF IFRS16

		At 31 March 2019 historical £m	Effects of IFRS16 application £m	At 1 April 2019 restated £m
FIXED ASSETS				
Intangible assets		7.9	-	7.9
Tangible assets		35.5	(0.1)	35.4
Right-of-Use assets		-	9.2	9.2
		43.4	**9.1**	**52.5**
Deferred tax assets	-amounts falling due within one year	3.5	-	3.5
	-amounts falling due after one year	15.3	-	15.3
Other operating assets	-amounts falling due within one year	13.4	-	13.4
	-amounts falling due after one year	5.5	-	5.5
Inventories		51.9	-	51.9
Contract assets		130.7	-	130.7
Trade receivables		25.0	-	25.0
Cash and cash equivalents		193.1	-	193.1
		438.4	**-**	**438.4**
CREDITORS: Amounts falling due within one year				
Contract liabilities		28.0	-	28.0
Lease liabilities		-	3.2	3.2
Trade payables		52.0	-	52.0
Other current operating liabilities		42.1	(0.2)	41.9
		122.1	**3.0**	**125.1**
NET CURRENT ASSETS		**316.3**	**(3.0)**	**313.3**
TOTAL ASSETS LESS CURRENT LIABILITIES		**359.7**	**6.1**	**365.8**
CREDITORS: Amounts falling due after more than one year				
Employee benefit obligations		73.7	-	73.7
Lease liabilities		-	6.1	6.1
PROVISIONS FOR LIABILITIES		18.4	-	18.4
NET ASSETS		**267.6**	**-**	**267.6**
CAPITAL AND RESERVES				
Called up share capital		220.0	-	220.0
Retained earnings		47.6	-	47.6
TOTAL EQUITY		**267.6**	**-**	**267.6**