

Company Registration No. 8462831

Registered in England and Wales

ALSTOM TRANSPORT UK LIMITED

Annual Report and Financial Statements

For the Year Ended

31 March 2023

ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Baldock
P J Broadley
N P Crossfield
S Day (resigned 30 June 2022)
C R Haynes (appointed 11 July 2022)
M D L Hulme (appointed 11 July 2022)
D A Johnston
S J R MacLeod
A McMillan (appointed 1 July 2021, resigned 13 June 2022)
P S R Wood

SECRETARY

M J C Heath

REGISTERED OFFICE

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The Place
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London
WC1V 7AA

AUDITORS

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

SOLICITORS

Hogan Lovells
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Holborn Viaduct
London
EC1A 2FG

Pinsent Masons LLP
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STRATEGIC REPORT

Year ended 31 March 2023

TRADING RESULTS

As shown in the Company's Statement of Comprehensive Income on page 21, sales for the year were £489.4m (2022: £442.2m). Income from operations was a profit for the year of £56.4m (2022: £43.7m). The gross margin on sales has remained largely consistent, reducing slightly from 20% to 19.5% year on year. There was a reduction in administrative expenses due to a lower level of group management charges. Interest income increased from £0.4m to £5.9m as a result of a higher cash balance and increased rates of interest during the year. Profit before taxation was £60.8m (2022: £41.9m).

Cash and cash equivalents increased from £285.3m to £332.0m. This was after making dividend payments during the year of £10.0m (2022: £58.0m). Employee benefit obligations decreased by £48.2m, largely as a result of net actuarial gains, as set out in note 16. The Company's net assets increased from £360.5m at 31 March 2022 to £428.5m at 31 March 2023.

OPERATIONS, KEY PERFORMANCE INDICATORS AND FUTURE PROSPECTS

The Alstom Group (hereafter referred to as "Alstom" or "the Group") 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 £m
2023	134.8	489.4	56.4
2022	426.5	442.2	43.7

Orders received by the Company can fluctuate significantly year on year as there are typically a relatively low number of high-value orders, as well as the fact that orders are in respect of contracts of a long-term nature. The higher value in 2022 reflected, in particular, an exceptional year for signalling project contract awards.

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 Digital & Integrated Systems (DIS) we have continued to execute our backlog of Network Rail projects under the Major Signalling Framework Agreements (MSFA) for Control Period 6. Major projects in both the Southern and Eastern framework areas are progressing through GRIP stages 5 and 6. The pipeline of contract opportunities remains positive, with new GRIP 4 contracts awarded and a number of schemes in early development.

Our project delivery performance remains very positive, with successful renewals and upgrades commissioned and stageworks competed during the year at Barking, Cambridge, Ferrybridge and Leeds.

STRATEGIC REPORT
Year ended 31 March 2023

OPERATIONS, KEY PERFORMANCE INDICATORS AND FUTURE PROSPECTS (continued)

HS2 remains a significant opportunity for the D&S business. Tenders for the Tunnel and Lineside Mechanical & Electrical package (£500m) and the Command, Control & Signalling package (£540m) were submitted in Spring 2022, with award decisions currently planned for Autumn 2023.

The UK industry is returning to something like normality although cost constraints imposed by UK Treasury/ Department for Transport on all operators still presents challenges, especially with orders being delayed.

The 26th Class 390 Pendolino from the modernisation project has been dispatched from Widnes and the Class 458 modernisation project has now commenced. We continue to win significant component overhaul work at Widnes. On the Northern Line we are currently in active discussions with the customer over the extension of the maintenance contract beyond 2027.

We continue to offer strong services to our customers, adding additional value wherever we can. To that end our customer feedback scores have been excellent providing both safe and high performing fleets with a high standard of train presentation and passenger experience. This level of service is going to be increasingly important as train operators have signed up to new "Service Quality Regimes" which focuses them on customer experience as much as standard reliability and availability scores.

The acquisition of Bombardier Transportation by ALSTOM has clearly given the UK Services business greater resources, capability, knowledge and industrial footprint. Our ability to bring services in-house is just one example of where the legacy Alstom businesses will benefit. We continue to conduct Make or Buy assessments on various components as to whether we can bring those in-house. Also combining legacy Alstom and Bombardier capabilities will allow us to provide a wider range of greener products – battery, hydrogen fuel cell, first mile/last mile technology and intelligent engine shutdown. We are bringing these to the market as demand requires.

Customer satisfaction scores remain high which reflects the Alstom culture of collaborative working. We have recently had some performance issues on Nottingham Tram, Class 175 and Class 180s. With our enhanced capability we have been able to allocate expert resources from the central Continuous Improvement team to the local project teams to turn round performance much more quickly and efficiently.

Another big issue we continue to manage is the increasingly difficult sourcing and supply chain environment we are working in. Energy bill increases, war in Ukraine, global semi-conductor shortages and Brexit have made sourcing material difficult with suppliers increasing prices and lead-times. As well as robust negotiating strategies we are also having to proactively plan our material supply much further in advance to make sure we have no shortages. Whilst inflation clauses in our contracts does cover off a lot of the increases there are still some items e.g. wheelsets where this is not the case.

Finally, we have successfully negotiated our way through an increasingly difficult industrial relations environment in the wider UK industry. Our pay offer was accepted by all sites and, other than a short period of "Working to Rule" at our Morden and Golders Green depots, we avoided the widescale disputes that have affected the UK train operators and Network Rail.

STRATEGIC REPORT
Year ended 31 March 2023

PRINCIPAL RISKS AND UNCERTAINTIES

Market Environment

Long-term evolution of the Company's markets is driven by a variety of complex and inter-related external factors, such as economic growth, political stability and public policies in particular on public transportation. In addition, the Company faces the evolution of customers' demand due to the specificity of their markets, as well as strong competition, both from large historical international competitors as well as new ones. The Company believes it competes effectively in its markets. The Directors consider that the Company is well placed to face these challenges.

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.

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.

STRATEGIC REPORT
Year ended 31 March 2023

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 ISO14001:2015 Standard.

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

The table below outlines the carbon emissions created by the Company during 2022/23:

		22/23	21/22
Scope 1 Emissions			
	Gas (tonnes CO ₂ e)	3527.77	4535.35
	Travel (tonnes CO ₂ e)	241.708	157.271
Scope 2 Emissions			
	Electricity (tonnes CO ₂ e)	2012.87	3031.27
	Using Alstom 100% Green Tariff	0	0
Total Scope 1 & 2 Emissions		5782.35	7723.90
Energy Consumption used to calculate above emissions:			
Scope 1 Emissions			
	Gas (KWh)	19,598,700	24,761,694
	Travel (Miles)	1,018,830	632,382
Scope 2 Emissions			
	Electricity (KWh)	10,408,900	14276240
Intensity ratio: tCO₂e (gross Scope 1 + 2) / Intensity factor			
	Energy (tonnes CO ₂ e/Hrs Worked)	0.0016	0.0023
	Travel (tonnes CO ₂ e / Mile)	0.000237	0.000249
Emissions from employees commuting to and from work (Scope 3) / tonnesCO₂e			
	Travel (tonnes CO ₂ e)	115.312	50.691
Energy Consumption used to calculate above emissions:			
	Travel (miles)	476062	226750
Scope 3 data - Water consumption from public supply			
	Water consumed (m3)	200,709.40	
	Carbon associated with Water Consumed (t/CO ₂ e)	29.9057006	

STRATEGIC REPORT
Year ended 31 March 2023

ENVIRONMENT, HEALTH & SAFETY (continued)

Methodology applied to above figures

The displayed Gas, Electricity and Water consumption data is taken from the Alstom internal reporting system which takes data from monthly invoices and is supported by meter readings. Company and personal mileage is taken from data held within Alstom's internal expenses system. The carbon emission factors are taken from the DEFRA carbon emission factors for the respective years (2019-2023). The chosen Intensity factors are based on Alstom's 2025 strategy where hours worked are used (Alstom and Contract staff), Tonnes of Carbon (tCO₂e) per mile was a satisfactory factor to use for travel. The figure for Electricity is reported as both gross and net where it is displayed as 0 as Alstom consumes 100% certified green electricity within the UK, we report the gross figure to ensure continual improvement and reductions in electricity consumption.

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

To reduce the carbon used by our facilities during the period, the Company has implemented a series of recommendations from our 2021/22 SECR report and further carbon reduction initiatives are in place to improve our carbon performance over the coming year. These include, but are not limited to:

- The Alstom 2025 strategy has set a target for 10% self-production of energy at all of our sites. This is currently being scoped within the UK. A deployment of Solar PV projects is planned to begin in 2023 with installation to follow in 2024;
- Implementation of a full overhaul of our lighting systems with deployment of LED fittings and building management systems, PIR and pressure sensors to optimise our energy usage and reduce maintenance on the lighting systems;
- There is a drive within Alstom to reduce our dependence on Gas consumption given the current global situation and rising costs and scarcity of resources. Alstom are planning to interlock the doors of our traincare maintenance depots to the heating system. This will give instant payback where the heating system will switch off if the main doors are opened. Other initiatives such as heat pumps and solar heating are being explored where we have sole control of our sites and payback periods align with contract lengths. During 2022/23 we ended our work out of our Chester Depot in May. This reduced our gas consumption against 2021/22. Notwithstanding this, activity at our sites remained stable and our hours worked had a slight increase and our gas consumption reduced by nearly 20% through efficiencies elsewhere giving an overall decrease in our scope 1&2 carbon intensity per hours worked;
- We have set a science-based target of 1.5 degrees – We are engaging with our supply chain to calculate the Scope 3 carbon emissions;
- We continue to evolve the branded fleet beyond our bespoke PHEV vehicles. These have reduced our carbon emissions by over 75g CO₂e/km with charging points being installed as part of the lease package to further encourage our staff to maintain the charge. We have taken this to our on-site plant such as forklifts and telehandlers which are now either hybrid or full EV;
- An overhaul of our company cars has produced an average reduction of 40g CO₂/km. We are now able offer full electric cars at all pay grades enabling our staff to find the low carbon option which suits their travel patterns;
- The installation of charging points at our fixed sites is planned for 2023/24 and this will provide the infrastructure to reduce the use of fuel within our vehicles;
- Telematics will continue to be fitted to branded vehicles to relay detailed carbon data and enable us to plan efficient routing and deployment of staff to limit UK wide travel;
- Our project sites are transferring to fully electrified plant, removing the dependence on diesel, transferring sites where we are not able to gain a grid connection using HVO fuel or renewables to power activities;
- The Company has used 100% green certified electricity from UK sources since 2017. This contributes to a global Alstom objective to use 100% green energy throughout the Company by 2025;
- Our Wembley Traincare Centre has undergone an overhaul of its heating system to move from fuel oil to a far more efficient gas fed system (707,000kwh of energy savings per year). A full solar array has been fitted to the roof of the

STRATEGIC REPORT
Year ended 31 March 2023**ENVIRONMENT, HEALTH & SAFETY (continued)**

building which will produce 215,000kwh/yr. This is 13% of the electricity usage at Wembley in 2019/20 and the adoption of solar will give carbon savings (based on the 2019 emission factors) of 54tCO₂e per year; and

- 2023 sees Alstom participate in Phase 3 of ESOS with energy surveys planned for Q3 through an external consultant. The recommendations arising from the process will be applied to our sites and we will undertake initial audits of our sites with a view to implementing an ISO50001:2018 Energy Management System at selected UK sites for the first time.

The Company recognises the importance and implications of current legislation such as the Health & Safety at Work Act 1974, the Environmental Protection Legislation, and all new Health & Safety legislation, including that being promulgated through EU Directives and UK legislation post Brexit.

The Company continues to operate and grow a series of Health & Safety risk management programmes to ensure the evaluation of 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 and others who may be affected, such as the public and contractors, and to promote a consistent approach to health and safety at all levels of the organisation.

In addition to this, the business has adopted a Safety Improvement Plan (SIP) strategy, aligned with its accredited Occupational Health and Safety Management system to ensure continuous improvement and risk control, and to reinforce the values, ethics, and culture throughout the Company.

The Senior Management Team monitors Occupational Health and Safety Performance through regular reviews at scheduled meetings taking actions where necessary to address trends or emerging risks.

Alstom's Group wide Zero Deviation Plan (AZDP), with associated lifesaving rules, continues to have a positive and significant impact on health and safety performance. A programme of 'self-assessments', against these requirements are undertaken every three months, with a view to ensuring high standards are maintained throughout. 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 Injury Frequency Rate for Employees and Contractors (IFR1) was better than Alstom's European target for 2022/2023 (Actual = 0.6 vs a Target of 1.2). The other key performance indicator (KPI) is the Total Recordable Injury Rate (TRIR) which includes all injuries (other than those treated by basic first aid alone) per million hours worked which was 0.9 vs the target of 1.6 in the same period.

Ensuring the workforce is competent to undertake our varied work activities is of primary importance. The National training Academy was opened in February 2023 to provide all forms of training including courses relating to Health and Safety to ensure our employees have the required technical and non-technical skills to perform their work safely and efficiently. Having an in-house capability ensures a common approach and supports the learning and open culture which the company seeks to both protect and enhance.

STRATEGIC REPORT
Year ended 31 March 2023**ENVIRONMENT, HEALTH & SAFETY (continued)**

Training also includes 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 continue to 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 independent auditors as part of programmes such as AZDP, by external auditors as part of RISQS (Railway Industry Supplier Qualification Scheme), ISO9001, ISO14001, ISO 45001 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 has a well-established Health and Wellbeing strategy which not only ensures legislative compliance but also focuses on the prevention, protection, and improvement in employees' physical and psychological wellbeing, which is aligned to the recently published new ISO 45003 : global standard for psychological health and safety in the workplace which aims to provide clear guidance to employers on managing mental health at work.

There are currently 143 trained Mental Health First Aid volunteers across the UK, and in association with the RSSB and MIND, the Company recently launched a mandatory Managing Mental Health at Work e-learning module. Employees were offered the opportunity to participate in various wellbeing challenges throughout 2022-23, with a clear focus on enabling them to take control of their own physical and mental health.

In response to Covid-19, employees were provided with a framework of health and wellbeing support and guidance covering remote working, increasing immunity through diet and exercise, and managing mental health problems. Alstom ran a series of health promotion workshops with qualified nutritionists on the importance of maintaining a healthy weight and immune system in their overall wellbeing.

STRATEGIC REPORT
Year ended 31 March 2023**EMPLOYEES**

The Company continues to invest in its employees. It has made strong commitments 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 for the third year in a row, 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, particularly harnessing the use of digital technologies and self-directed learning opportunities.

In Services, following the Bombardier acquisition by ALSTOM we have fully integrated the two organisations into one operational business, and this is already creating opportunities for people to work and develop across the portfolio as well as more broadly in the UK business and abroad. There will be TUPE transfers both in and out between the distinct legal entities during the next year.

The Major Signalling Framework projects continue to drive resource requirements up, as do several non-framework projects. The newly integrated organisation has provided both opportunity and challenge. However the new structures have allowed the business to cover a range of operational solutions which helps maintain Alstom as the number one signalling provider in the UK.

Alstom'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 WIR (Women in Rail) to name a few.

The Company's graduate and apprentice programmes 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 increasingly invest in this area and the number of apprentices expands with each year. In 2022, Alstom appointed 60 apprentices at Levels 3, 6 and 7. 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. In early 2023 Alstom opened a Learning Academy, aimed at technical skills development and with a particular emphasis on developing Early Career talent across the UK.

STRATEGIC REPORT
Year ended 31 March 2023**EMPLOYEES (continued)**

During the year, we continued to focus on Equality, Diversity and Inclusivity (EDI) initiatives and introduced the 'Alstom 8' which is a suite of training sessions designed to give everyone in the business an understanding of fairness within their role. We also introduced a virtual coaching (on-demand) offering, to ensure we have great role models who demonstrate fair and inspired leadership at all levels in the organisation.

Diversity remains a high priority. During the year, all four Employee Resources groups ("Voices of Women", "Voices of Disability", "Voices of BAME" and "Voices of LGBT") were given additional resource and senior sponsorship established. All of the groups are tasked with assisting us in understanding the lived experiences of different populations of the business and holding us accountable on the progress and actions in this area to drive changes. There continues to be a strong support network around the four groups, with a dedicated ED&I Specialist and senior leadership strategic group.

We have further learnt from the Gender Pay Gap report in 2022 and continue to make strides towards the Company's internal target of 25% women in managerial and engineering positions.

Diversity and inclusion training is mandatory for all managers and 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 coming 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 2023**SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY**

Alstom's Sustainability & Corporate Social Responsibility (CSR) Strategy has progressed well over the last twelve months, delivering social and environmental value for our communities, our people and our customers. This was confirmed by AFNOR (auditing company) who independently verified an increased organisational maturity during the interim CSR Label Assessment, where Alstom Transport UK Limited practices were reviewed against the ISO 26000 Corporate Social Responsibility guidance standard in November 2022 against our initial assessment in 2020.

Community investment activities have benefitted over 15,000 community members local to our Alstom sites from Glasgow down to Plymouth.

Notable initiatives completed under the four key pillars of our Sustainability & CSR Strategy during this financial year include:

Tackle Social Inequality

Engaging over 7,500 students through collaborative partnerships and independent STEM (Science, Technology, Engineering & Maths) programmes to promote the exciting careers available in rail, prioritising young people from low social mobility backgrounds where possible. Actions include being a Cornerstone Employer across four Career Hubs to bridge the gap between our industry and local schools and colleges, piloting the first Primary Engineer Rail Project in Manchester with Avanti West Coast, and welcoming students back onto our sites for in-person tours and work experience placements.

Alstom Foundation's third year of funding for Railway Children's Safeguarding on Transport programme in the North West offered support to 161 young people at safeguarding risk, with 43 children accepting tailored intervention from the charity to help them gain independence. For 2023, we have secured Alstom Foundation funding to support Railway Children with extending their Safeguarding on Transport programme into Scotland.

Drive Equal Opportunity

In September 2022, Alstom UK achieved Disability Confident Leader status in recognition of efforts made to deliver disability inclusion and diversity in the workplace, led by our 'Voices of Disability' employee network. We are the only UK train and signalling manufacturer to achieve this top-level award.

Fight Climate Change

The first circular economy project for a heavy maintenance overhaul programme has been piloted, measuring the environmental footprint of components to inform and prioritise reuse strategies.

Improve Health & Wellbeing

Uptake of employee volunteering has seen a significant increase as our teams return to their local communities to complete activities that meet social and environmental needs. Fundraising events and community collections are established at most sites to support charitable causes that our teams are passionate about.

STRATEGIC REPORT
Year ended 31 March 2023**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 2023. 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 the ALSTOM Group. 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 given on page 4.

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 9 and 10. The Company continually reviews the effectiveness of, and methods used to engage with employees, which includes surveys, site visits from senior management, performance reviews and information included on the intranet, and take action when it is identified that better communication is needed in certain areas.

The Directors' Report contains details on our involvement of employees and employment of disabled persons. The Covid-19 crisis inevitably had a profound impact on each of our employees. The health and safety of those employees remains of paramount importance.

We continue to maintain an important dialogue with the unions.

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. 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.

STRATEGIC REPORT
Year ended 31 March 2023

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

In addition, strong relationships with our suppliers are of vital importance, and regular and effective communication and engagement with our suppliers is encouraged at all levels of the organisation. During the year there was particular focus on any possible disruption to the supply chain that may have been caused as a result of Brexit and the war in Ukraine, and where relevant this required specific action plans with certain suppliers to be implemented.

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 8 and page 11. Management responsible for these important areas are represented at the most senior level of our organisation, which helps the Directors determine which areas require most focus. During the year, the Directors carefully considered the various environmental priorities and directed funds and management time towards those considered the most vital.

Shareholders

All of the Company's shares are held entirely by an intermediate group Company as set out in note 23.

The Company engages with its shareholder through ensuring regular communication, through management information systems, involving monthly (and more regular when necessary) reporting of information and issues, and meetings with those representing the Company's parent.

Dividends of £10.0m 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



S MacLeod
Director

9 May 2023

DIRECTORS' REPORT
Year ended 31 March 2023

The Directors present their annual report and the financial statements for the year ended 31 March 2023.

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. This incorporates a Rolling Stock & Services business which is focused on the maintenance and modernisation of railway vehicles and a Digital & Integrated Systems (DIS) business focused on the provision of signalling products and services.

DIVIDENDS

The Company paid dividends of £10m during the year (2022: £58m).

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, as described in note 20.

The Company has significant levels of cash and has no third party debt. It therefore has minimal interest rate exposure. In fact, in this financial year, the level of interest income increased significantly from £0.4m to £5.9m due to the increase in interest rates. If rates fall again in the future, we would anticipate the level of interest earned to also decrease.

DIRECTORS' REPORT
Year ended 31 March 2023

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 financial forecasts for a period of at least twelve months from the date of approval of the financial statements. In making their going concern assessment, the Directors have taken into account the impact of known factors such as the current inflationary pressures in the UK, other macroeconomic factors and any potential impact of the war in Ukraine. The Directors have performed a sensitivity assessment which considers the impact of severe but plausible scenarios and have concluded that even in such scenarios the Company would have adequate cash resources in order to meet its liabilities in full.

The Company has a strong balance sheet including cash of £332.0m at the balance sheet date. The Company deposits its cash and cash equivalents with the ALSTOM Group's treasury function on overnight deposit. However, as described further in the Accounting Policies, the Company has unfettered access at all times to the cash deposited under such intercompany arrangements.

The Company continues to be perform in line with expectations in the 2023-24 financial year up to the date of approval of these financial statements. 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



S MacLeod
Director

9 May 2023

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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on 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 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its 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.

Conclusions relating to going concern

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

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

Independent auditor's report to the members of ALSTOM Transport UK Limited (continued)**Other information**

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

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

We have nothing to report in this regard.

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; or
- we have not received all the information and explanations we require for our audit.
- the directors were not entitled to take advantage of the small companies' exemption in preparing the Directors' Report or the Strategic Report

Independent auditor's report to the members of ALSTOM Transport UK Limited (continued)**Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement set out on page 16, 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 the financial statements.

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

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

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

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

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

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

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

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risk related to the management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the timing of revenue recognition.

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

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

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

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

Use of the audit report

This report is made solely to the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Tim Hudson

Tim Hudson (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
One St Peter's Square, Manchester, M2 3DE
11-May-2023

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2023

		31 March	31 March
		2023	2022
	Note	£m	£m
TURNOVER			
Cost of sales	3	489.4	442.2
		(394.0)	(353.9)
		95.4	88.3
Gross profit			
Selling expenses		(6.5)	(5.8)
Administrative expenses		(32.5)	(38.8)
		56.4	43.7
INCOME FROM OPERATIONS			
Interest receivable		5.9	0.4
Interest payable and similar charges	5	(0.5)	(0.6)
Other finance costs	5, 16	(1.0)	(1.6)
		60.8	41.9
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX			
Income tax (expense)/credit	6	(20.2)	0.8
		40.6	42.7
NET PROFIT FROM CONTINUING OPERATIONS			
Other comprehensive income: items that will not be reclassified to profit and loss			
Actuarial gains recognised in pension schemes	16	49.8	33.1
UK deferred tax attributable to actuarial gains	6	(12.4)	(7.9)
		37.4	25.2
Other comprehensive income net of tax			
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		78.0	67.9

All results were derived from continuing operations.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

		As restated
	At 31 March	At 31 March
Note	2023	2022
	£m	£m
NON-CURRENT ASSETS		
Intangible assets	7	7.5
Tangible assets	8	33.6
Right of Use assets	9	16.5
Employee benefits – surplus	16	42.1
	99.7	53.0
CURRENT ASSETS		
Deferred tax assets	6	-
Other operating assets	13	8.5
Inventories	10	51.5
Contract assets	11	134.7
Trade receivables	12	42.5
Cash and cash equivalents		332.0
	569.2	515.7
CREDITORS: Amounts falling due within one year		
Contract liabilities	11	72.6
Lease liabilities	17	4.1
Trade payables		28.9
Other current operating liabilities	18	110.5
	216.1	189.8
NET CURRENT ASSETS		
	353.1	325.9
TOTAL ASSETS LESS CURRENT LIABILITIES		
	452.8	378.9
CREDITORS: Amounts falling due after more than one year		
Employee benefit obligations	16	-
Lease liabilities	17	12.7
Provisions for liabilities	15	4.1
Deferred tax liabilities	6	7.5
	428.5	360.5
NET ASSETS		
CAPITAL AND RESERVES		
Called up share capital	14	220.0
Retained earnings		208.5
	428.5	360.5
TOTAL EQUITY		
	428.5	360.5

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) 9 May 2023

STATEMENT OF CHANGES IN EQUITY
31 March 2023

	Share capital £m	Retained Earnings £m	Total £m
At 1 April 2021	220.0	130.6	350.6
Profit for the year	-	42.7	42.7
Other comprehensive income for the year	-	25.2	25.2
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	67.9	67.9
Dividends paid	-	(58.0)	(58.0)
	<hr/>	<hr/>	<hr/>
At 1 April 2022	220.0	140.5	360.5
Profit for the year	-	40.6	40.6
Other comprehensive income for the year	-	37.4	37.4
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	78.0	78.0
Dividends paid	-	(10.0)	(10.0)
	<hr/>	<hr/>	<hr/>
At 31 March 2023	220.0	208.5	428.5

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2023****1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101**

The financial statements for the year ended 31 March 2023 were authorised for issue by the board of directors as indicated on page 22. 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 23.

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. These financial statements have been prepared in accordance with international accounting standards ("IFRS") in conformity with the requirements of the Companies Act 2006.

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.

Changes have been made to prior year comparatives where necessary to ensure consistency with the presentation adopted in the current financial year.

Going concern

The financial statements have been prepared on a going concern basis. The Directors have reviewed financial forecasts for a period of at least twelve months from the date of approval of the financial statements. In making their going concern assessment, the Directors have taken into account the impact of known factors such as the current inflationary pressures in the UK, other macroeconomic factors and any potential impact of the war in Ukraine. The Directors have performed a sensitivity assessment which considers the impact of severe but plausible scenarios and have concluded that even in such scenarios the Company would have adequate cash resources in order to meet its liabilities in full.

The Company has a strong balance sheet including cash of £332.0m at the balance sheet date. The Company deposits its cash and cash equivalents with the ALSTOM Group's treasury function on overnight deposit. However, as described further in the Accounting Policies, the Company has unfettered access at all times to the cash deposited under such intercompany loan arrangements.

The Company continues to be perform in line with expectations in the 2023-24 financial year up to the date of approval of these financial statements. 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 below set out those policies which apply in preparing the financial statements for the year ended 31 March 2023. The Company takes 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* ;

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

2. ACCOUNTING POLICIES (continued)

- (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; and
- (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*.

New standards and interpretations mandatorily applicable for financial periods beginning on 1 April 2022

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

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

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.

Many of our long term maintenance contracts include inflation clauses whereby the level of income to be received from the customer is directly impacted by movement in relevant indices defined in the contract. As such, when estimating the level of revenue to be earned over the course of the contract term, management are required to make assumptions as to the likely future level of inflationary increases as this directly impacts the level of revenue assumed at completion and therefore the gross margin to be traded. In large part this estimation is based on historical trends.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

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

Measurement of employee benefits surplus/(deficit)

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 the employee benefits surplus/(liability), along with sensitivity analysis which shows how important each of the assumptions listed above are, in determining the pension surplus/(deficit) is included in note 16 to the financial statements.

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

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 2023****2. ACCOUNTING POLICIES (continued)****Significant judgements (continued)***Lease liabilities and right-of-use assets*

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

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.

Inventory provisions

At the closing date, inventories are measured at the lower of cost or net realisable value (NRV) using judgement to determine NRV. Therefore, a regular review is undertaken, at least for half year and year-end closings, in order to identify inventories that may be impaired. In assessing whether there is an indication that an item of inventory may be impaired, the following information is considered: damage, obsolescence, slow moving, decline in selling price, etc. In the case of slow-moving items, the determination of the net realisable value of inventories is based upon a classification of inventories according the ratio of annual sales to inventory (ending quantity in inventory/ quantity used or sold during the last 12 months).

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. A further analysis of revenue for the financial year is disclosed in note 3.

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 2023****2. ACCOUNTING POLICIES (continued)****Revenue recognition (continued)**

With respect to construction contracts and long-term service agreements, 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

Goodwill in the financial statements arose on the Company’s acquisition of the trade and certain assets of GE’s UK signalling controls business in 2015. The signalling business is considered a separately identifiable CGU.

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 2023****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 2023****2. ACCOUNTING POLICIES (continued)****Leases**

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

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

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use (ROU) asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or the site on which it is located, less any lease incentives received.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2023****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 Company 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).

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2023****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'. The Company earns interest in respect of balances held under such arrangements. A total of £5.9m was received in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2023****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 2023****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 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 2023

3. TURNOVER

The geographical analysis of turnover by destination is as follows:

	2023	2022
	£m	£m
United Kingdom	489.2	441.8
Europe	0.2	0.4
	489.4	442.2

Turnover is analysed as follows:

	2023	2022
	£m	£m
Manufactured products & service contracts less than 1-year duration	31.9	31.4
Construction contracts and long-term service agreements	457.5	410.8
	489.4	442.2

4. INCOME FROM OPERATIONS

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

Research and development expenses

An amount of £15.4m (2022: £18.4m) is included in cost of sales, which includes charges for use of technology owned by other group companies.

Auditor's remuneration

The auditor's remuneration for the year ended 31 March 2023 in respect of the audit of the financial statements was £120,000 (2022: £120,000), in addition to £Nil (2022: £Nil) for the provision of non-audit services.

Exchange gains and losses

Foreign exchange gains recognised in cost of sales amount to £0.2m (2022: £0.5m) of which a loss of £0.1m relates to hedged items (2022: gain of £0.9m).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2023

5. INTEREST PAYABLE AND OTHER FINANCE COSTS

	2023	2022
	£m	£m
Interest payable and similar charges		
-Interest paid on lease liabilities	(0.4)	(0.4)
-Other	(0.1)	(0.2)
	(0.5)	(0.6)
Finance (costs)/income on employee benefit obligations (note 16)		
- Finance income	11.4	7.8
- Finance costs	(12.4)	(9.4)
	(1.0)	(1.6)

6. INCOME TAX EXPENSE

	2023	2022
	£m	£m
Current taxation		
Current taxation charge for the year	-	-
Group relief payable	(11.1)	(0.6)
Adjustments in respect of prior year	(9.6)	(1.5)
	(20.7)	(2.1)
Deferred taxation:		
Deferred taxation (charge)/credit for the year	(0.6)	0.2
Adjustments in respect of prior year	1.1	-
Adjustment due to change in rate	-	2.7
	0.5	2.9
Income tax (expense)/credit reported in the Statement of Comprehensive Income	(20.2)	0.8

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

6. INCOME TAX EXPENSE (continued)

A reconciliation between the tax (expense)/credit and the Company's accounting profit multiplied by the UK Corporation tax rate for the year ended 31 March 2023 and the prior year is as follows:

	2023 £m	2022 £m
Profit on ordinary activities before taxation	60.8	41.9
Tax charge at standard rate of 19% (2022: 19%)	(11.6)	(8.0)
Factors affecting charge for the year:		
Permanent differences	(0.1)	0.2
Group relief claimed free of charge	-	7.4
Adjustments in respect of prior year	(8.5)	(1.5)
Adjustment due to change in rate	-	2.7
Income tax (expense)/credit reported in the Statement of Comprehensive Income	(20.2)	0.8

The large adjustment in respect of prior year arose largely as a consequence of a decision being made in FY22/23 that the Company would pay ALSTOM Engineering and Services Limited for the losses surrendered to the Company, including an adjustment in respect of FY21-22. An amount of £13.5m remains outstanding in respect of group relief as at 31 March 2023 (see note 18).

Deferred tax

The amount of deferred tax (liability)/asset, all of which is recognised, is as follows:

	2023 Recognised £m	2022 Recognised £m
Accelerated capital allowances	3.1	2.9
Employee benefit obligations	(10.6)	1.5
Other timing differences	-	0.1
	(7.5)	4.5

In accordance with IAS12, the deferred tax (liability)/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 2023

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 2021	7.1	2.4	9.5
(Charged)/credited to income statement			
Current period	2.3	0.6	2.9
Charged to Other Comprehensive Income	(7.9)	-	(7.9)
Balance at 1 April 2022	1.5	3.0	4.5
Credited to income statement			
Current period	0.4	(1.0)	(0.6)
Prior period	-	1.1	1.1
Charged to Other Comprehensive Income	(12.4)	-	(12.4)
Balance at 31 March 2023	(10.6)	3.1	(7.5)

7. INTANGIBLE ASSETS

	Software £m	Goodwill £m	Other £m	Total £m
Cost				
At 1 April 2022 and 31 March 2023	5.5	7.2	1.8	14.5
Accumulated depreciation				
At 1 April 2022	5.5	-	1.4	6.9
Charge for amortisation	-	-	0.1	0.1
At 31 March 2023	5.5	-	1.5	7.0
Net book value				
At 31 March 2023	-	7.2	0.3	7.5
At 31 March 2022	-	7.2	0.4	7.6

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

The impairment test at 31 March 2023 (using the 3 year plan and an after tax discount rate of 8.0%) 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 2023

8. TANGIBLE FIXED ASSETS

	Land and Buildings	Plant and Machinery	Other Plant and Equipment	Assets in course of construction	Total
	£m	£m	£m	£m	£m
Cost					
At 1 April 2022	25.0	34.7	4.6	3.6	67.9
Reclassifications	0.9	0.6	-	(1.5)	-
Additions	0.4	0.2	-	4.8	5.4
	<u>26.3</u>	<u>35.5</u>	<u>4.6</u>	<u>6.9</u>	<u>73.3</u>
At 31 March 2023					
Accumulated depreciation					
At 1 April 2022	4.1	28.4	4.0	-	36.5
Charge for depreciation	1.3	1.8	0.1	-	3.2
	<u>5.4</u>	<u>30.2</u>	<u>4.1</u>	<u>-</u>	<u>39.7</u>
At 31 March 2023					
Net book value					
At 31 March 2023	<u><u>20.9</u></u>	<u><u>5.3</u></u>	<u><u>0.5</u></u>	<u><u>6.9</u></u>	<u><u>33.6</u></u>
At 31 March 2022	<u>20.9</u>	<u>6.3</u>	<u>0.6</u>	<u>3.6</u>	<u>31.4</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

9. RIGHT OF USE ASSETS

	Land and Buildings £m	Plant and Machinery £m	Other Plant and Equipment £m	Total £m
Cost				
At 1 April 2022	15.6	0.2	7.0	22.8
Additions	3.8	-	3.7	7.5
Disposals	(4.6)	(0.1)	(0.1)	(4.8)
At 31 March 2023	14.8	0.1	10.6	25.5
Accumulated depreciation				
At 1 April 2022	6.6	0.1	2.1	8.8
Charge for depreciation	1.8	-	2.4	4.2
Disposals	(3.8)	(0.1)	(0.1)	(4.0)
At 31 March 2023	4.6	-	4.4	9.0
Net book value				
At 31 March 2023	10.2	0.1	6.2	16.5
At 31 March 2022	9.0	0.1	4.9	14.0

10. INVENTORIES

	2023 £m	2022 £m
Raw materials and components	48.9	45.3
Work in progress	2.5	2.5
Finished goods	0.1	1.2
	51.5	49.0

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2023

11. NET CONTRACT ASSETS

	2023	2022
	£m	£m
Contract assets	134.7	121.9
Contract liabilities	(72.6)	(46.7)
	<hr/>	<hr/>
Net contract assets	62.1	75.2
	<hr/> <hr/>	<hr/> <hr/>

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 £17.7m at 31 March 2023 and £21.3m at 31 March 2022.

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 2023

12. TRADE RECEIVABLES

	2023	2022
	£m	£m
Trade receivables	13.8	13.0
Receivables from related parties	28.7	35.6
	<u>42.5</u>	<u>48.6</u>

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. Provisions against receivables are not considered significant at the current and previous period end.

13. OTHER OPERATING ASSETS

	As restated	
	2023	2022
	£m	£m
Prepayments and accrued income	1.5	0.3
Corporation tax recoverable	3.7	1.8
Other receivables	2.4	3.1
Derivatives relating to operating activities	0.7	0.6
Remeasurement of hedged firm commitments	0.2	0.6
	<u>8.5</u>	<u>6.4</u>

14. SHARE CAPITAL

	2022 and 2023 £m
Allotted, called-up and fully paid	
220,000,000 ordinary shares of £1 each	<u>220.0</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

15. PROVISIONS

	Warranty	Contract Risks (incl. Penalties & Claims)	Restructuring	Other	Total
	£m	£m	£m	£m	£m
At 1 April 2022	-	1.2	0.3	-	1.5
Additions	-	2.1	-	0.6	2.7
Utilised	-	-	(0.1)	-	(0.1)
Released	-	-	-	-	-
At 31 March 2023	-	3.3	0.2	0.6	4.1

Of the total provisions of £4.1m at 31 March 2023 (2022: £1.5m), an amount of £3.5m (2022: £1.5m) is estimated to fall due within one year, and £0.6m (2022: £nil) 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 remainder of the provision was released during the year.
- 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 2023

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:

	2023	2022
	£m	£m
Railways Pension Scheme		
Alstom Railways Shared Cost Section	39.3	17.7
West Coast Traincare Shared Cost Section	27.2	(16.2)
Alstom Signalling Shared Cost Section	3.7	(7.6)
Irrecoverable surplus impact	(28.1)	-
	<hr/>	<hr/>
Net pension surplus/(deficit)	42.1	(6.1)
	<hr/> <hr/>	<hr/> <hr/>

A deferred tax liability of £10.6m has been provided at a rate of 25% on the net pension surplus of £42.1m.

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:

	2023	2022
	£m	£m
Actuarial gain/(loss) recognised in pension schemes:		
Railways Pension Scheme		
Alstom Railways Shared Cost Section	23.7	15.3
West Coast Traincare Shared Cost Section	42.5	14.8
Alstom Signalling Shared Cost Section	11.7	3.0
Irrecoverable surplus impact	(28.1)	-
	<hr/>	<hr/>
	49.8	33.1
	<hr/> <hr/>	<hr/> <hr/>

Since incorporation, the cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income, before accounting for taxation, is gains of £77.0m (2022: gains of £27.2m).

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 2019 updated to 31 March 2023.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

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 2023

	West Coast Traincare Section £m	Alstom Railways Section £m	Alstom Signalling Section £m	Total £m
Present value of funded obligations	(135.4)	(150.6)	(28.0)	(314.0)
Fair value of plan assets	162.6	189.8	31.8	384.2
Irrecoverable surplus	(10.9)	(15.7)	(1.5)	(28.1)
Surplus in the Scheme	16.3	23.5	2.3	42.1

At 31 March 2022

	West Coast Traincare Section £m	Alstom Railways Section £m	Alstom Signalling Section £m	Total £m
Present value of funded obligations	(191.6)	(198.5)	(40.4)	(430.5)
Fair value of plan assets	175.4	216.2	32.8	424.4
(Deficit)/Surplus in the Scheme	(16.2)	17.7	(7.6)	(6.1)

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	2023 Total £m
Current service cost	(2.8)	(3.9)	(0.8)	(7.5)
Interest income	4.7	5.8	0.9	11.4
Interest on scheme liabilities	(5.2)	(5.4)	(1.1)	(11.7)
Other finance costs	(0.3)	(0.3)	(0.1)	(0.7)
Total finance income/(costs)	(0.8)	0.1	(0.3)	(1.0)
Total charge in the Statement of Comprehensive Income	(3.6)	(3.8)	(1.1)	(8.5)
Actual return on pension scheme assets	(12.3)	(20.6)	(1.2)	(34.1)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2023

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

Railways Pension Scheme (continued)

	West Coast Traincare Section £m	Alstom Railways Section £m	Alstom Signalling Section £m	2022 Total £m
Current service cost	(2.5)	(4.0)	(0.9)	(7.4)
Interest income	3.2	4.0	0.6	7.8
Interest on scheme liabilities	(3.8)	(4.0)	(0.8)	(8.6)
Other finance costs	(0.4)	(0.3)	(0.1)	(0.8)
Total finance costs	(1.0)	(0.3)	(0.3)	(1.6)
Total charge in the Statement of Comprehensive Income	<u>(3.5)</u>	<u>(4.3)</u>	<u>(1.2)</u>	<u>(9.0)</u>
Actual return on pension scheme assets	<u>12.8</u>	<u>13.3</u>	<u>2.6</u>	<u>28.7</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

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 2021	(194.6)	(201.2)	(40.4)	(436.2)
Current service cost	(2.5)	(4.0)	(0.9)	(7.4)
Contributions by employees	(1.0)	(0.9)	(0.3)	(2.2)
Interest cost	(3.8)	(4.0)	(0.8)	(8.6)
Other finance costs	(0.4)	(0.3)	(0.1)	(0.8)
Actuarial (loss)/gain – experience	0.7	1.7	0.1	2.5
Actuarial loss– change in financial assumptions	4.4	4.3	1.0	9.7
Benefits paid	5.6	5.9	1.0	12.5
	<hr/>	<hr/>	<hr/>	<hr/>
Defined benefit obligation at 1 April 2022	(191.6)	(198.5)	(40.4)	(430.5)
Current service cost	(2.8)	(3.9)	(0.8)	(7.5)
Contributions by employees	(0.8)	(0.8)	(0.3)	(1.9)
Interest cost	(5.2)	(5.4)	(1.1)	(11.7)
Other finance costs	(0.3)	(0.3)	(0.1)	(0.7)
Actuarial gain/(loss) – experience	(8.6)	(12.0)	(1.5)	(22.1)
Actuarial gain–change in financial assumptions	68.1	62.0	15.4	145.5
Benefits paid	5.8	8.3	0.8	14.9
	<hr/>	<hr/>	<hr/>	<hr/>
Defined benefit obligation at 31 March 2023	(135.4)	(150.6)	(28.0)	(314.0)

The average duration of the defined benefit obligations at the end of the reporting period is 15 years for the West Coast Traincare Shared Cost Section, 13 years for the Alstom Railways Shared Cost Section and 16 years for the Alstom Signalling Shared Cost Section.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

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 2021	162.6	206.0	30.2	398.8
Interest income	3.2	4.0	0.6	7.8
Return on plan assets (excluding amounts included in interest income)	9.6	9.3	2.0	20.9
Contributions by employer	4.6	1.9	0.7	7.2
Contributions by employees	1.0	0.9	0.3	2.2
Benefits paid	(5.6)	(5.9)	(1.0)	(12.5)
Fair value of plan assets at 1 April 2022	175.4	216.2	32.8	424.4
Interest income	4.7	5.8	0.9	11.4
Return on plan assets (excluding amounts included in interest income)	(17.0)	(26.4)	(2.1)	(45.5)
Contributions by employer	4.5	1.7	0.7	6.9
Contributions by employees	0.8	0.8	0.3	1.9
Benefits paid	(5.8)	(8.3)	(0.8)	(14.9)
Fair value of plan assets at 31 March 2023	162.6	189.8	31.8	384.2

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 £7.1m to the Railways Pension Scheme in respect of these three sections during the year ending 31 March 2024.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2023

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 2023

	West Coast Traincare Section £m	Alstom Railways Section £m	Alstom Signalling Section £m	Total £m
Equities	25.0	38.0	19.5	82.5
Bonds	135.3	150.6	12.8	298.7
Other	2.3	1.2	(0.5)	3.0
Total fair value of plan assets	162.6	189.8	31.8	384.2

At 31 March 2022

	West Coast Traincare Section £m	Alstom Railways Section £m	Alstom Signalling Section £m	Total £m
Equities	122.3	132.6	22.5	277.4
Bonds	52.5	81.8	10.1	144.4
Other	0.6	1.8	0.2	2.6
Total fair value of plan assets	175.4	216.2	32.8	424.4

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

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

Railways Pension Scheme (continued)

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

	2023	2022
	% per	% per
	annum	annum
Discount rate at 31 March	4.95	2.75
Rate of increase in salaries	3.10	3.45
Rate of increase in pensions	2.60	2.95
Rate of price inflation – CPI	2.60	2.95

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 2023:

West Coast Traincare Shared Cost Section

	Increase by
	0.25%
Impact on funded obligation	£m
Discount rate	(4.7)
Increase in pensions	3.9
Increase in salaries	0.5
Other inflation linked benefits	0.3
Inflation-linked assumptions	4.7

Alstom Railways Shared Cost Section

	Increase by
	0.25%
Impact on funded obligation	£m
Discount rate	(4.5)
Increase in pensions	3.8
Increase in salaries	0.3
Other inflation linked benefits	0.1
Inflation-linked assumptions	4.2

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2023

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

Railways Pension Scheme (continued)

Alstom Signalling Shared Cost Section

	Increase by
	0.25%
Impact on funded obligation	£m
Discount rate	(1.1)
Increase in pensions	0.9
Increase in salaries	0.2
Other inflation linked benefits	-
Inflation-linked assumptions	1.1

History of experience adjustments:

	2023	2022	2021	2020	2019
	£m	£m	£m	£m	£m
Defined benefit obligation	(314.0)	(430.5)	(436.2)	(364.2)	(404.0)
Plan assets	384.2	424.4	398.8	306.8	330.3
Surplus/(Deficit)	70.2	(6.1)	(37.4)	(57.4)	(73.7)
Experience (loss)/gain on plan liabilities	(22.1)	2.5	(1.8)	(3.0)	(4.7)
Experience (loss)/gain on plan assets	(45.5)	20.9	88.9	(22.6)	9.6

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 £5.2m (2022: £4.6m).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2023

17. LEASE LIABILITIES

Maturity analysis – contractual undiscounted cash flows

	2023	2022
	£m	£m
Within one year	4.9	2.5
Between one to five years	10.2	9.4
More than five years	3.2	4.2
	<hr/>	<hr/>
Total undiscounted lease liabilities	18.3	16.1
	<hr/> <hr/>	<hr/> <hr/>

Lease liabilities included in the statement of financial position

Current	4.1	2.5
Non-current	12.7	10.8
	<hr/>	<hr/>
	16.8	13.3
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

18. OTHER CURRENT OPERATING LIABILITIES

	2023	2022
	£m	£m
Owed to related parties	27.8	59.0
Group relief payable	13.5	1.5
Other taxes and social security	31.2	21.5
Other creditors, accruals and deferred income	37.0	46.3
Derivatives relating to operating activities	0.4	0.4
Remeasurement of hedged firm commitments	0.6	0.4
	110.5	129.1

19. DIRECTORS AND EMPLOYEES

Average total staff numbers by function:

	2023	2022
	No	No
Manufacturing and engineering	1,409	1,493
Commercial	177	154
Management and administration	464	375
	2,050	2,022

The staff numbers shown above include agency workers, who are not employees of the Company. The average number of agency workers for the year included above was 456 (2022: 481).

Staff costs (including agency workers)

	2023	2022
	£m	£m
Wages and salaries	131.7	125.0
Social security costs	11.3	10.1
	143.0	135.1

Pension costs comprise:

	2023	2022
	£m	£m
Defined benefit schemes (note 16)	7.5	7.4
Defined contribution and group personal pension plans	5.2	4.6
	12.7	12.0

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

19. DIRECTORS AND EMPLOYEES (continued)

Directors' emoluments:	2023	2022
	£m	£m
Salary and benefits	0.6	1.1
Company contributions to defined contribution pension arrangements	-	0.1
	<u>0.6</u>	<u>1.2</u>

	2023	2022
	No	No
Directors who are accruing benefits in a defined benefit pension scheme	<u>1</u>	<u>1</u>
Directors who received benefits under defined contribution pension arrangements	<u>3</u>	<u>3</u>

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

Highest paid Director:	2023	2022
	£m	£m
Salary and benefits	<u>0.2</u>	<u>0.2</u>
Highest paid Director's total remuneration	<u>0.2</u>	<u>0.2</u>

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2023****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:

	2023	2022
	Sterling	Sterling
	equivalent	equivalent
	£m	£m
Purchase foreign currencies forward	33	25
Sell foreign currencies forward	(4)	(6)

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**

	2023	2022
	£m	£m
Contracted for but not provided in the financial statements	0.5	3.9

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2023****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.

The total value of outstanding guarantees as at the year end date is £25.0m.

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. EVENTS SINCE THE BALANCE SHEET DATE

There have been no significant events occurring since the balance sheet date that need to be disclosed.

23. 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