BOMBARDIER
the evolution of mobility

Bombardier Transportation UK Limited

Directors' Reports and Financial Statements

For the year ended 31 December 2017

Registered number 02235994

Table of Contents

Company Information

Directors	R Hunter	(Chairman)
	A T Morgan	
	G J Mowbray	
	K M Parkes	
	D Barry	
	S Nolan	(Resigned 24 July 2017)
	B Westmoreland	(Appointed 23 January 2018)
Secretary	L S West	
Registered office	Litchurch Lane Derby DE24 8AD	
Registered number	02235994	
Auditors	Ernst & Young LLP 1 Colmore Square Birmingham B4 6HQ	
Principal bankers	Deutsche Bank AG London 6 Bishopsgate London EC2P 2AT	
Solicitors	Norton Rose LLP 3 More London Riverside London SE1 2AQ	

Directors' Report

Directors' Report

The Directors are pleased to present their Annual Report, Strategic Report and Financial Statements for the year ended 31 December 2017.

The Statement of Profit or Loss presented on page 14 shows a profit after tax for the year of £82,479,000 (2016: £85,698,000). Turnover for the year was £834,239,000 (2016: £834,429,000) and an analysis is shown in note 3 to the financial statements.

No dividend was paid during the year, the Directors do not recommend the payment of any dividends for 2017 (2016: £nil).

At 31 December 2017 land with a net book value of £9,180,000 (2016: £9,180,000) had, based on the directors' valuation, a market value of £19,500,000 (2016: £19,500,000).

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

Going concern

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

The balance sheet at 31 December 2017 shows net assets of £736,694,000. This represents a 44% increase over the year ended 31 December 2016, which had net assets of £511,398,000.

The Company has prepared cash flow projections and strategic plans of future sales for the period to 31 December 2022. The directors have carried out a detailed review of these plans with due regard to the risks and uncertainties to which the company is exposed. The projections have been prepared using assumptions which the directors consider to be appropriate to the current financial position of the Company and take into account known future contributions to the pension schemes, which the Company and its parent are fully committed to supporting. Meetings are regularly held with the Trustee Directors and Managers of the relevant schemes.

The Company has long-term contracts with a number of customers and suppliers across different geographic areas and industries. Given the improvement in the Company's financial position, and the forecast future profits, the directors believe that the Company is well placed to manage its business risks successfully over the coming years. They have therefore prepared the financial statements on a going concern basis.

Events since balance sheet date

There have been no material events since the balance sheet date.

Employee involvement

Bombardier recognises that our employees are key to the success of the Company, and the Bombardier Group is committed to ensuring their engagement and involvement. Company policy is to use the consultative procedures agreed with its staff and elected representatives to ensure information and views are exchanged and employees are aware of the progress of the Company and the economic and financial factors that affect it.

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

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

All employees are encouraged to invest in the Group through participation in share purchase schemes.

Directors' Report (continued)

Equal opportunities

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

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

Political and charitable donations

Bombardier globally supports charities, non-profit organisations and employee volunteering activities to build strong communities, especially those in which we operate. In line with this strategy we actively work with UK organisations such as The Prince's Trust and Business in the Community, and we encourage local school's involvement in our activities.

The Company made charitable donations amounting to £14,000 during the year (2016: £49,661).

No political donations or contributions were made during the year (2016: nil).

Financial risk management

The Company's principal financial instruments, other than derivatives, comprise cash and short-term deposits, overdrafts and short-term borrowings. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as trade debtors and trade creditors, which arise directly from its operations.

The Company also enters into forward currency contracts and interest rate swaps where appropriate in order to manage currency risks arising from the Company's operations and its sources of finance. It is the Company's policy that no trading in financial instruments be undertaken.

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

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates to its cash and short-term deposits, and overdraft and short-term borrowings, all of which have floating interest rates. The Company actively participates in the Bombardier Transportation Group's cash pooling scheme and therefore receives appropriate interest rates from Group treasury.

Liquidity risk

The Company aims to maintain a balance between continuity of funding and flexibility by ensuring that sufficient borrowing facilities are in place through Group funding if required.

Foreign currency risk

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

Directors' Report (continued)

Credit risk

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

Directors and indemnity arrangements

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

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

Disclosure of information to the auditors

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

Re-appointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditor of the company.

By order of the Board,

G Mowbray
Director
28 June 2018

Litchurch Lane
Derby
DE24 8AD

Strategic Report

The Directors are pleased to present their Strategic Report for the year ended 31 December 2017.

Principal activity and business review

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

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

The Company continues to focus on developing an innovative product portfolio with whole life cost at the centre of our design.

Results for the year

Turnover for the year was £834,239,000 (2016: £834,429,000) and the profit for the year after taxation was £82,479,000 (2016: £85,698,000).

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

	2017	2016	Year on year variance 2017 to 2016
	£'000	£'000	£'000
Company turnover	834,239	834,429	(190)
Gross profit	141,924	128,165	13,759
Operating profit excluding exceptional items	102,961	90,272	12,689
Exceptional items	(26,538)	-	(26,538)
Total operating profit	76,423	90,272	(13,849)
Profit after taxation	82,479	85,698	(3,219)
Current assets as % of current liabilities	135%	150%	-15%
Average number of employees	3,686	3,345	341

Turnover increased and profitability decreased against the prior year due to mix of contracts and impact of exceptional items, but continues to be strong across vehicle manufacturing and maintenance contracts and the Company is undertaking a number of key contracts within the UK.

The operating profit in 2017 of £102,961,000 excluding exceptional items represents 12% of revenue. This reflects the mix of contracts in the year, Bombardier Management is continuing its commitment to address costs across the organisation, and, improve the risk management throughout the execution of the contracts.

The Company's "current ratio" (current assets as a percentage of current liabilities) has decreased primarily as a result of advances on some long-term contracts. The Company actively participates in the Bombardier Transportation Group's cash pooling scheme and this is included within amounts owed by Group undertakings. The balance within the cash pooling scheme, attributable to the Company, at the year-end was £175,000,000 (2016: £170,000,000).

The average number of employees of 3,686 at the end of 2017 has increased compared with the average number employed at the end of 2016 3,345. This is largely driven by the ramp up in production of our new build contracts. Bombardier continues to review the indirect cost base in order to improve efficiency, but, remains committed to retaining key talents particularly in engineering and project management.

Strategic Report (continued)

Related companies

The Company has reviewed its investments in subsidiaries, associates and joint ventures, and as a result no impairments were deemed necessary, although the minority shareholding (17%) of the interest in Bombela Concession (PTY) Ltd was sold in the year generating a gain of £19,344,000, treated as an exceptional item.

The Company incurred charges of £45,882,000 in respect of Parent Company Guarantees from Bombardier Transportation (Global Holding) UK Ltd. to cover the tax period 2008-2009. This has been treated as an exceptional item in the current period.

The Company maintains a branch in South Africa to manage the remaining items relating to the Gautrain contract. The financial results and balances are not deemed material but are included in the Company's financial statements.

Business risk

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

Key business risks include:

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

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

Execution risk

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

Economic environment and future developments

The rail market continues to be very resilient despite economic uncertainty and the UK referendum result in May 2016. Order levels in general in the rail industry have continued to be at the high levels seen over the past few years, demonstrating not only the industry is less subject to short-term volatility than other industries but there is an appetite for investment in the industry.

The Company has again secured a significant amount of new rolling stock and maintenance orders for work scheduled to be delivered over the next four years. These orders are based on the Company's Aventra product platform with significant orders secured for South West Railways, West Midlands Railways and C2C, which complements the already significant order backlog.

The Services business has numerous projects in the UK and was successful in 2016 in extending a number of its maintenance contracts, in addition to securing maintenance contracts with the new rolling stock business. There are numerous opportunities for this business sector going forward as part of the UK re-franchising programme and the significant investment planned in the rail market. Fleet maintenance activities form a substantial part of the UK business and in line with the company's strategy to focus on whole life cost of our rolling stock forms an integral part of the Company's product offering. The company has invested significantly at various services locations with new vehicle inspection facilities in several sites.

Strategic Report (continued)

Economic environment and future developments (continued)

The Signalling Division is operated as a global business within the Bombardier Transportation group. Our operation in Plymouth is engaged in a number of contracts primarily for the supply of railway signalling equipment and software for level crossings.

Research and development

The company funds advanced engineering and product development programmes which seek to develop product applications for specific market opportunities. Throughout 2017 the company continued to make substantial investment in the Aventra product platform for new rolling stock and a new metro application.

The Company continues with its intellectual property (IP) pooling arrangement with Bombardier Transportation Group which it entered into in 2015. The buy in payments have been capitalised in intangible assets with a useful life of eight years.

Environmental impact

As a global leader in rail technology, we view it as our corporate responsibility to maximise the environmental benefits of rail travel, Bombardier therefore has sustainable mobility at the heart of its design, engineering and operating philosophy.

In line with Bombardier Transportation corporate energy and carbon targets, the Company is continuing in its aim to reduce the energy consumption and greenhouse gas emissions of its facilities.

On its main manufacturing site, Derby, the Company has a recycling rate of 12.7% (2016: 16%) and a recovery rate of 96% (2016: 96%) sending 4% of its waste to landfill. The recovery rate / landfill ratio compares very favourably to the UK national average

By order of the Board,

G Mowbray
Director
28 June 2018

Litchurch Lane
Derby
DE24 8AD

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities

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

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

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

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

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

Independent Auditor's Report to the Members of Bombardier Transportation UK Limited

Opinion
We have audited the financial statements of Bombardier Transportation UK Limited for the year ended 31 December 2017 which comprise the Statement of Profit or Loss and the Statement of Other Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 28, 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 company's affairs as at 31 December 2017 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

Other information
The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Ernst & Young LLP

Adrian Roberts (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham, UK
6 July 2018

Statement of Profit or Loss

For the year ended 31 December 2017

	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Turnover	3		**834,239**		834,429
Cost of sales			**(692,315)**		(706,263)
Gross profit			**141,924**		128,165
Administrative expenses before exceptional items		**(38,963)**		(37,893)	
Exceptional items	4	**(26,538)**		-	
Net administrative expenses			**(65,501)**		(37,893)
Operating profit before investment income, interest and taxation			**76,423**		90,272
Other finance income	11		**(1,992)**		2,578
Income from shares in group undertakings	3		**5,041**		3,564
Interest receivable and similar charges	3, 9		**14,457**		7,963
Interest payable and similar charges	10		**(4,211)**		(4,022)
Profit before taxation			**89,718**		100,355
Taxation on profit	12		**(7,239)**		(14,657)
Profit after taxation	22		**82,479**		85,698

In both the current and preceding year the Company made no material acquisitions and had no discontinued operations.

The notes on pages 18 to 58 form part of these financial statements.

Statement of Comprehensive Income

Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Profit for the financial year	*22*	**82,479**	85,698
Other Comprehensive Income			
Items that cannot be reclassified to profit or loss:			
Actuarial gain/(loss) recognised on defined benefit pension schemes	*22,24*	**193,452**	(195,227)
Deferred taxation on pension	*22,12b*	**(33,009)**	31,323
Items that can be reclassified to profit or loss:			
Losses on cash flow hedges taken to equity	*22*	**3,251**	77,999
Cash flow hedges recycled through the profit and loss account	*22*	**(25,143)**	2,689
Deferred taxation on cash flow hedges	*22,12b*	**4,266**	(15,041)
Other Comprehensive Income/(Expenses) for year net of tax		**142,817**	(98,526)
Total Comprehensive Income/(Expenses) for year net of tax		**225,296**	(12,559)

The notes on pages 18 to 58 form part of these financial statements.

Statement of Changes in Equity

Statement of Changes in Equity

For the year ended 31 December 2017

	Equity share capital	Cash flow hedge reserve	Net unrealised gains/ (losses) reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000
At 1st January 2016	94,811	(22,059)	(685)	451,889	523,956
Profit for the year	-	-	-	85,698	85,698
Other Comprehensive Income	-	65,648	-	(163,904)	(98,256)
Total Comprehensive Income for the year	94,811	43,589	(685)	373,683	511,398
At 1st January 2017	94,811	43,589	(685)	373,683	511,398
Profit for the year	-	-	-	82,479	82,479
Other Comprehensive Income	-	(17,626)	-	160,443	142,817
Total Comprehensive Income for the year	-	(17,626)	-	242,922	225,296
At 31st December 2017	94,811	25,963	(685)	616,605	736,694

The notes on pages 18 to 58 form part of these financial statements.

Balance Sheet

Balance Sheet

At 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Intangible assets	13a	**12,656**	14,995
Tangible assets	13b	**69,661**	66,797
Investments	14	**61,406**	61,406
		143,723	143,198
Current assets			
Stocks	15	**241,531**	24,839
Trade and other receivables due after one year	16a	**176,098**	194,260
Trade and other receivables due within one year	16b	**1,565,269**	1,235,546
Trade and other receivables	16	**1,741,367**	1,429,806
Cash at bank and in hand		**4,404**	864
		1,987,302	**1,455,509**
Creditors: amounts falling due within one year	17	**(1,338,236)**	(841,561)
Net current assets		**649,066**	613,948
Total assets less current liabilities		**792,789**	757,146
Creditors: amounts falling due after more than one year	18,19	**(43,668)**	(25,307)
Provisions for liabilities	20a	**(71,056)**	(88,404)
Net assets before net pension surplus / (deficit)		**678,065**	643,435
Net pension surplus / (deficit)	24	**58,629**	(132,037)
Net assets		**736,694**	511,398
Capital and reserves			
Called up share capital	21	**94,811**	94,811
Share premium account	21	**-**	-
Other reserves	22	**25,278**	42,904
Retained earnings	22	**616,605**	373,683
Shareholders' funds		**736,694**	511,398

The notes on pages 18 to 58 form part of these financial statements.

These Financial Statements were approved and authorised for issue by the board of directors on 28 June 2018 and were signed on its behalf by:

G Mowbray
Director

Notes to the Financial Statements

At 31 December 2017

Contents

Notes to the Financial Statements (continued)

1. Authorisation of financial statements and compliance with FRS 101

The financial statements of Bombardier Transportation UK Limited (the "Company") for the year ended 31st December 2017 were authorised and issued by the board of directors on 28 June 2018 and the balance sheet was signed on the Board's behalf by Garry Mowbray.

Bombardier Transportation UK Limited is incorporated and domiciled in England and Wales. Its registered office is Litchurch Lane, Derby, DE24 8AD.

These financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds, except where otherwise stated.

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

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

The Company has taken advantage of the exemption provided by Financial Reporting Standard 101 from the requirement to provide a cash flow statement.

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

2. Accounting policies

2. 1 Basis of preparation

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

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

A summary of the disclosure exemptions adopted for the year ended 31st December 2017 is presented below. Equivalent disclosures for share based payments and financial instruments are included in the Bombardier Inc. consolidated financial statements allowing the exemptions to be applied.

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Area	Disclosure exemption
Related party disclosures	Exemption from disclosure of related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to a transaction is wholly owned by such a member. Exemption from disclosure of key management personnel compensation.
Comparative information	Exemption from disclosure of comparative information for movements in share capital, tangibles, intangibles and investment property.
Presentation of Financial Statements	Exemption from statement of compliance with IFRS, cash flow information and capital management policy.

2. 2 International Financial Reporting Standards Issued prior to their mandatory effective date

Disclosure regarding the impact of other standards issued but not effective is exempt.

2. 3 Use of estimates and judgement

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

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

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

Long term contracts

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

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

Estimated revenues at completion are adjusted for claims, penalties and contract terms that provide for adjustments of prices. Management's judgement is applied to determine if realisation of additional revenues is probable.

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

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

Sensitivity analysis – a 1% increase in the cost to complete for all ongoing production, service and maintenance contracts accounted for under the percentage of completion method would have resulted in a reduction of gross margin of approximately £6,933,000.

Development costs

Development costs associated with projects which include internally developed or modified application software are capitalised in line with the ultimate holding company's policy. The decision to capitalise prospectively is made when specific milestones are achieved which reflects management's judgement that the technological and economic feasibility of the project have been confirmed.

2. Accounting policies (continued)

Development costs are classified by asset category and amortised in line with the rates within the appropriate asset category.

During 2015 the Company entered into an IP pooling arrangement with Bombardier Transportation Group. The buy-in payments made by the UK have been capitalised in intangible assets with a useful life of eight years.

The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date.

Taxation

Management's judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

The carrying balances are adjusted for new Patent Box claims submitted. These amounts require management to classify costs as routine and non-routine and identify which revenues can be linked to qualifying patents.

Pension and other post-employment benefits

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

Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty and the criteria used in determining the estimates are described in the retirement benefit schemes note (note 25).

2. 4 Significant accounting policies

Revenue recognition

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

Long term contracts

Long term contracts are recognised as either production contracts which have been specifically negotiated for the construction of an asset or a number of closely related assets under IAS 11, or for service contracts, including maintenance and vehicle and component overhaul, recognised under IAS 18.

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

The revenue from certain maintenance contracts is recognised based on an output method for maintenance and other long-term services. No cost inefficiencies have been deferred on such contracts.

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

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

Interest income
Revenue is recognised as interest accrues using the effective interest method.

Rental income
Rental income, mainly from the sub-letting of premises, is recognised on a straight-line basis over the term of the lease and is included within operating profit.

Dividends
Revenue is recognised when the Company's right to receive payment is established.

Research and development
Expenditure on research is expensed in the statement of profit or loss in the year in which it is incurred.

Development costs are included in the balance sheet as an asset only if costs can be measured reliably and it is probable that future economic benefits associated to the asset will flow to the entity. Development costs held as an asset are carried at historical cost less any accumulated amortisation.

The asset is amortised evenly over the period of expected future benefit from the asset and amortisation commences when the asset is complete and available for use. The IP pooling buy in payments have been capitalised and are being amortised over a period of eight years.

Foreign currency translation
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of profit or loss with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Tax charges and credits attributable to exchange difference on those borrowings are also dealt with in reserves.

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the balance sheet date. Income and expenses are translated at weighted average exchange rates for the year. The resulting exchange differences are taken through the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the statement of profit or loss over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income on a straight-line basis over the terms of the lease.

Operating leases as a lessor

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Operating leases as lessee
The Company has entered into commercial leases as lessee to obtain the use of property plant and equipment. The classification of such leases as operating, or finance leases requires the Company to determine, based upon an evaluation of the terms and conditions of the arrangements, whether it acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

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

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

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

Tangible Assets	
Freehold buildings	
Constructions in concrete/bricks/steel and similar with solid or heavy-duty foundation and super-structure aimed at long term utilisation	- over 5 to 40 years
Constructions in wood/pre-fabricated elements light groundwork or only fastened to the ground	- over 5 to 40 years
Light constructions (wood, light pre-fabricated elements), incl. containers	- over 5 to 40 years
Plant & machinery	- over 3 to 20 years
Intangible assets with a finite useful life – software and IP Pool	- over 3 to 8 years

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

Assets under finance leases and assets in relation to the decommissioning costs associated with leased assets are depreciated / amortised over the lease term.

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

Annual impairment tests for intangible assets with indefinite useful lives are based upon the future cash flows forecast by management for the following five years or other periods if it is considered appropriate.

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

i. the asset is available for immediate sale; and

ii. the sale is highly probable with the appropriate level of management committed to a plan to sell the asset.

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

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

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

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

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

Trade and other debtors
Trade debtors, which generally have 30 – 90 day terms, are recognised and carried at the lower of their original invoice value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash at bank and in hand
Cash and short-term deposits in the balance sheet comprise of cash at bank and short-term deposits with original maturity of 3 months or less, this also excludes the amounts held as part of the cash pooling.

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

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

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

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

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

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

2. Accounting policies (continued)

Government grants
Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment.

Grants related to revenue are matched to the expenditure to which they relate.

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

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

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

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

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

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

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

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

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

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity until the forecast transaction occurs and are transferred to the statement of profit or loss or to the initial carrying amount of a non-financial asset or liability as above.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

The Company uses forward exchange contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments. Refer to note 27 for further details.

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

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

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

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

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

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

Derecognition of financial assets and liabilities
A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Share-based payments

Equity settled transactions

The cost of equity–settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity–settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Performance share unit plan ("PSUs") – The value of the compensation for PSUs that are expected to vest is measured based on the closing price of a Class B Share (Subordinate Voting) of the ultimate parent company on the Toronto Stock Exchange on the date of grant.

The application of IFRS 2- Share based payments, has resulted in the value of the compensation expense being recognised on a straight-line basis over the vesting period with a corresponding increase to contributed surplus in shareholders' equity being recognised by Bombardier Inc. The effect of any change in the number of PSUs that are expected to vest is accounted for in the period in which the estimate is revised.

Employee share purchase plan – The ultimate parent company's contributions to the employee share purchase plan are accounted for in the same manner as the related employee payroll costs.

Where the terms of an equity–settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity–settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any cost not yet recognised in the statement of profit or loss for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the statement of profit or loss.

Cash-settled transactions

The cost of cash-settled transactions is measured at fair value using an appropriate option pricing model. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the awards as at the balance sheet date. Changes in the carrying amount for the liability are recognised in profit or loss for the period.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Provisions

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

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

Warranty costs

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

Work due provisions

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

Restructuring costs

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

Decommissioning costs

The provision for decommissioning represents the cost that will arise from rectifying changes to leased and rented properties made before occupancy of sites commences. Accordingly, a provision is recognised and a decommissioning asset is recognised and included within tangible assets (notes 13 and 20).

In line with IAS 37, assets for decommissioning costs are created and a provision is made for the present value of the expenditures expected to settle the obligation, using estimated cash flows based on current prices. The unwinding of the decommissioning obligation is included in interest payable and similar charges, and the asset is amortised over the length of the lease and charged to cost of sales. Estimated future costs of decommissioning obligations are reviewed regularly and adjusted as appropriate for new circumstances including changes in law or technology. Changes in estimates are capitalised or reversed against the relevant asset. Estimates are discounted at a pre-tax rate that reflects current market assessments of the time value of money.

Dilapidation costs

The provision for dilapidation represents the cost of restoring the site after the start of the occupancy. Changes in the provision are recorded within cost of sales in the statement of profit or loss

Dilapidation costs are estimated at the present value of the expenditures expected to settle the obligation, using estimated cash flows based on current prices and adjusted for risks specific to the liability. The estimates are discounted at a pre-tax rate that reflects current market assessments of the time value of money.

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

Exceptional items

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

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Pensions

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

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

When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the income statement during the year in which the settlement or curtailment occurs.

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

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

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

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

Classification of shares as debt or equity

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

(i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and

(ii) the instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the company's own equity instruments.

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

The remainder of the proceeds on issue is allocated to the equity component and included in shareholders' funds, net of transaction costs. The carrying amount of the equity component is not re-measured in subsequent years. Transaction costs are apportioned between the liability and equity components of the shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Notes to the Financial Statements (continued)

2. Accounting policies (continued)

Parent company guarantees

Due to the nature of the business, customers sometimes require parent company guarantees (PCG) provided by Bombardier Transportation (Global Holding) UK Limited. By giving these guarantees, Bombardier is guaranteeing that its subsidiary will perform all of their obligations under the contract with the customer. The parent company guarantee fees are directly related to contracts and have been applied to individual contracts and accounted for in accordance with the Company's policy on long term contracts.

3. Revenues

Revenues included in the statement of profit or loss are analysed as follows.

	2017	2016
	£'000	£'000
Contract related turnover	**834,239**	834,429
Interest	**14,457**	7,963
Dividends	**5,041**	3,564
Rental income	**768**	807
Total	**854,505**	846,764

All reported turnover and operating profit is considered to primarily originate from the UK. Turnover reported on production contracts during the year was £407,359,000 (2016: £420,410,000).

4. Exceptional items

	2017	2016
	£'000	£'000
Net administrative expenses – exceptional items		
Sales of Bombela Concession (Pty) Ltd	**19,344**	-
PCG Fee adjustment relating to Tax Years ended 2018-2010	**(45,882)**	-
	(26,538)	-

Exceptional items related to income recognised on the sale of Bombela Concesstion (Pty) Ltd and costs incurred for PCG fee adjustment for taxation year ended 2008-2010.

5. Operating profit

Operating profit is stated after charging/(crediting):

	2017	**2016**
	£'000	**£'000**
Cost of stock recognised as an expense (included in cost of sales) including write down of stocks to net realisable value	**718**	800
Depreciation of fully owned tangible assets	**5,147**	4,142
Depreciation of leased assets	**1,514**	1,524
Amortisation of intangible assets	**2,347**	2,477
Gain on disposal of fixed assets	**-**	(2,708)
Operating lease rentals - plant and machinery	**223**	269
land and buildings	**1,199**	1,055
Auditors' remuneration (see note 6)	**450**	438
Research and development	**15,648**	19,839
(Gain) / Loss on foreign exchange	**(8,234)**	3,397
Rental income	**(768)**	(807)

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

Notes to the Financial Statements (continued)

6. Auditors' remuneration

The remuneration of the auditors is further analysed as follows:

	2017 £'000	2016 £'000
Fees payable to the company's auditors for the audit of the company's annual financial statements	**450**	435
- Other assurance related services	-	3
	450	438

Auditors' remuneration for Group companies within Bombardier Transportation (Holdings) UK Limited in the current year is being borne by the Bombardier Transportation UK Limited. The amount included in auditors' fees in respect of Group companies for 2017 is £8,000 (2016: £24,000).

7. Directors' emoluments

	2017 £'000	2016 £'000
Aggregate remuneration in respect of qualifying services	**1,031**	**1,114**
Aggregate pension costs	**83**	**132**
Amounts in respect of the highest paid director are as follows:		
Aggregate remuneration	**519**	**349**
Accrued pension at the end of the year	**39**	**37**
Members of defined benefit schemes	**3**	**8**
Members of share option scheme	**5**	**8**
Number of Directors who exercised share options	-	-

The highest paid director has not exercised share options during the current or prior year.

8. Staff costs

a) Employee costs

	2017 £'000	2016 £'000
Wages and salaries	**170,208**	153,264
Social security costs	**13,816**	11,665
Other pension costs	**24,204**	22,046
	208,228	186,975

b) Average monthly number of employees during the year

	No.	No.
Production	**2,868**	2,546
Engineering	**607**	579
Project management	**124**	125
Administration	**87**	95
	3,686	3,345

Included in the pension costs are £21,220,000 (2016: £19,652,000) in respect of defined benefit schemes and £2,985,000 (2016: £2,394,000) in respect of the defined contribution scheme (see note 25). Average number of employees in 2016 has been restated to include Contractors, the costs of which are included within Employee Costs.

Notes to the Financial Statements (continued)

9. Interest receivable

	2017	2016
	£'000	£'000
Bank interest receivable	**31**	8
Amounts received from Group undertakings	**14,426**	7,955
	14,457	7,963

10. Interest payable and similar charges

	2017	2016
	£'000	£'000
Finance charges payable under finance leases	**523**	936
Interest payable to Group undertakings	**1,474**	1,589
Other interest payable	**2,151**	1,434
Total interest expense	**4,148**	3,959
Unwinding of discounts on provisions	**63**	63
Total interest payable and similar costs	**4,211**	4,022

11. Other finance income

	2017	2016
	£'000	£'000
Net return on pension schemes (note 24)	**(1,992)**	2,578

12. Taxation on profit

a) Tax charged in the Statement of profit or loss

	2017	2016
	£000	£000
Current income tax:		
Current year charge	**11,015**	17,141
Adjustments in respect of previous years	**(1,663)**	(4,101)
Foreign tax	**801**	670
	10,153	13,710
Deferred taxation		
Origination and reversal of temporary differences	**(1,524)**	-
Adjustments in respect of previous years	**(1,778)**	-
Adjustments arising from changes in tax rate	**388**	-
Deferred taxation debit	**-**	948
Taxation charge on profit (note 12(c))	**7,239**	14,658

b) Tax relating to items credited to comprehensive income

	2017	2016
Deferred tax		
Actuarial gain / (loss) on defined pension plans	**33,009**	(31,323)
Net (loss) / gain on revaluation of cash flow hedges	**(4,266)**	15,041
Total deferred tax	**28,743**	(16,282)

The adjustments in respect of previous years principally relate to patent box claim adjustments.

Notes to the Financial Statements (continued)

12. Taxation on profit (continued)

c) Reconciliation of the total tax charge

	2,017	2,016
	£'000	£'000
Profit on ordinary activities before taxation	**89,718**	100,356
Profit on ordinary activities multiplied by standard rate of corporation taxation in the UK of 19.25% (2016: 20.00%)	**17,271**	20,071
Effects of:		
Non taxable income	**(4,617)**	-
Rate change	**394**	(3,000)
Adjustments to taxation charge in respect of previous years	**(3,448)**	(1,288)
Patent Box adjustment	**(3,162)**	(1,795)
Foreign tax	**801**	670
Total taxation charge for the year (note 12(a))	**7,239**	14,658

d) Unrecognised tax losses

The company has tax losses which arose in the UK of £448,000 (2016: £359,005) that are available indefinitely for offset against future capital gains.

Deferred tax assets have not been recognised in respect of these losses as there is uncertainty over the recoverability.

e) Factors that may affect future tax charges

The standard rate of UK corporation tax will be reduced from 20% to 19% with effect from 1 April 2017, with a further reduction to 18% with effect from 1 April 2020. These were enacted in the Finance Act 2015 on 26 October 2015 and in accordance with accounting standards, have been reflected in the Company's financial statements.
On 16 March 2016 the Chancellor announced that the tax rate would fall to 17% with effect from 1 April 2020. As this change has been substantially enacted in Finance Bill 2016, it has been reflected in the deferred tax balances.

13. Fixed assets

a) Intangible fixed asset

	Development costs	Software	Total
	£'000	£'000	£'000
Cost			
At 1 January 2017	16,674	12,562	29,236
Additions	-	8	8
At 31 December 2017	**16,674**	**12,570**	**29,244**
Depreciation			
At 1 January 2017	2,084	12,157	14,241
Charge for the year	2,085	262	2,347
At 31 December 2017	**4,169**	**12,419**	**16,588**
Net book value			
At 31 December 2017	**12,505**	**151**	**12,656**
At 1 January 2017	14,590	405	14,995

Notes to the Financial Statements (continued)

13. Fixed assets (continued)

Classification	Net Book Value	Remaining Amortisation Period
	2017	
	£'000	Years
Development costs	12,505	6
Software	151	1.8

b) Tangible fixed assets

	Freehold land and buildings	Short leasehold buildings	Assets in the course of construction	Plant and machinery	Total
	£'000	£'000	£'000	£'000	£'000
Cost or valuation					
At 1 January 2017	41,162	33,832	24,472	60,798	160,264
Additions	712	-	7,877	936	9,525
Disposals	-	-	-	(7,516)	(7,516)
Transfers	18,444	-	(21,481)	3,037	-
At 31 December 2017	**60,318**	**33,832**	**10,868**	**57,255**	**162,273**
Depreciation or impairment					
At 1 January 2017	23,088	21,366	-	49,013	93,467
Charge for the year	2,126	1,514	-	3,021	6,661
Disposals	-	-	-	(7,516)	(7,516)
At 31 December 2017	**25,214**	**22,880**	-	**44,518**	**92,612**
Net book value					
At 31 December 2017	**35,104**	**10,952**	**10,868**	**12,737**	**69,661**
At 1 January 2017	18,074	12,466	24,472	11,785	66,797

Included in freehold land and buildings is land held at a cost of £9,513,707 (2016: £9,513,707), which is not depreciated.

Assets held under finance leases

All of the short leasehold buildings relate to the finance lease on the Central Rivers Depot £10,574,000 (2016: £11,924,000) and to assets created in relation to future decommissioning expenses for buildings held under operating leases £378,000 (2016: £542,000).

Notes to the Financial Statements (continued)

14. Investments – non-current

	2017	2016
	£'000	£'000
Associates and joint ventures (note 14(a))	**1**	1
Other fixed asset investments (note 14(b))	**61,405**	61,405
	61,406	61,406

(a) Associates and joint ventures	**2017**	2016
	£'000	£'000
Cost & Net book value		
At 1 and 31 December	**1**	1

(b) Other fixed asset investments	**2017**	2016
	£'000	£'000
Cost		
At 1 January	**95,793**	95,791
Additions	**-**	2
Disposals (i)	**-**	-
At 31 December	**95,793**	95,793
Amounts provided:		
At 1 January	**34,388**	34,388
Disposals (i)	**-**	-
At 31 December	**34,388**	34,388
Net book value		
At 31 December	**61,405**	61,405

Changes in the value of investment in 2017:

(i) The dividends received from: (a) BT Gautrain Limited of £nil (2016: £nil), (b) Bombela Concession Company (PTY) Limited of £4,741,376 (2016: £3,373,924), and (c) Bombela Maintenance Ltd of £299,866 (2016: £190,410), were booked in the Statement of Profit or Loss as 'Income from shares in group undertakings'.

Changes in the value of investments in 2016:

(i) During 2016 the Company made a cash injection of £2,000 in Bombardier Transportation Gulf LLC, a regional hubco providing project support

(ii) The dividends received from: (a) Bombela Concession Company (PTY) Limited of £3,373,924 (2015: £3,418,070), and (b) Bombela Maintenance Ltd of £190,410 (2015: £182,018), were booked in the Statement of Profit or Loss as 'Income from shares in group undertakings

Notes to the Financial Statements (continued)

14. Investments – non-current (continued)

Name of company	Country of registration	Proportion and type of voting rights and shares held	Nature of business
Held directly by the company:			
Prorail Limited	England	100% Ordinary	Dormant Company
Bombardier Transportation (Gautrain) UK Limited	England	100% Ordinary	Provision of
Bombardier Transportation (Rolling Stock) UK Limited	England	100% Ordinary	Maintenance and repair of rolling stock
Bombardier Transportation (Signal) UK Limited	England	100% Ordinary	Dormant Company
South Eastern Train Maintenance Limited	England	60% Ordinary	Maintenance and repair of rolling stock
Bombela Maintenance Ltd	South Africa	90% Ordinary	Maintenance and repair of rolling stock
Isithimela Rail Services (Proprietary) Limited	South Africa	50% Ordinary	Construction of track works
Bombela TKC (Proprietary) Ltd*	South Africa	25% Ordinary	Rail system delivery management
Bombela Electrical & Mechanical Works (Proprietary) Ltd	South Africa	90% Ordinary	Design, manufacture and installation of railway components
Bombardier Saudi Arabia Ltd	Saudi Arabia	51% Ordinary	To perform local work on Saudi contracts
Infrasig Limited	England	25% Ordinary - Joint Venture	Vehicle to perform work under ETCS framework agreement
Bombardier Transportation (Rolling Stock) South Africa (Pty) Ltd	South Africa	100% Ordinary	Dormant Company
BT VP Pension Trustee Limited	England	100% Ordinary	Corporate Pension Trustee
BT UK Pension Trustee Limited	England	100% Ordinary	Corporate Pension Trustee
Bombardier Transportation Gulf LLC	Dubai	100% Ordinary	Regional hubco providing project support

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

During the year

i) Class 345 Trains Ltd was dissolved on 12th December 2017.

ii) Bombela Concession (Pty) Limited (17% Ordinary shares but 22% Control of voting rights) was sold - see note 4.

15. Stocks

a) Total Inventory

	2017	2016
	£'000	£'000
Raw materials and consumables	2,401	2,881
Amounts due from customers on long term contracts (note 15(b))	239,130	21,958
	241,531	24,839

b) Analysis of contract balances

Contract balances are analysed to production and service contracts as follows:

	2017	2016
	£'000	£'000
Production contracts		
Costs incurred, recorded margins and progress billings	504,397	343,409
less: advances	(962,448)	(577,613)
	(458,051)	(234,204)
Service contracts		
Costs incurred, recorded margins and progress billings	(64,553)	(113,243)
less: advances	(3,171)	(22,190)
	(67,724)	(135,433)
Total	(525,775)	(369,637)

Progress billing at the year-end amounted to £32,262,000 for Production contracts (2016: £12,802,000) and £135,921,000 for Services contracts (2016: £143,329,000).

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

	2017	2016
	£'000	£'000
Amounts due from customers (note 15(a))	239,130	21,958
Amounts due to customers (note 17)	(764,905)	(391,595)
	(525,775)	(369,637)

Notes to the Financial Statements (continued)

16. Debtors and other receivables

	2017	2016
	£'000	£'000
a) Debtors and other receivables due after one year		
Deferred taxation (note 20(b))	-	12,577
Financial asset	**176,098**	181,683
	176,098	194,260

	2017	2016
	£'000	£'000
b) Debtors and other receivables due within one year		
Trade debtors	**51,741**	56,035
Prepayments in respect of long-term contract purchases	**281,590**	124,127
Amounts recoverable on long-term contracts	**64,679**	31,099
Amounts owed by other Group undertakings	**490,306**	298,338
Other debtors	**13,739**	7,526
Financial asset	**4,658**	6,344
Other financial assets (note 16(c))	**658,556**	712,077
	1,565,269	1,235,546

Trade debtors include a provision for bad debt of £93,380 (2016: £nil)

c) Other financial assets

	2017	2016
	£'000	£'000
Embedded derivative (note 27(a))	**12**	-
Forward currency contract assets (note 27(a))	**33,544**	42,077
Loans to Group companies	**450,000**	500,000
Other loans	-	-
Cash pooling facility	**175,000**	170,000
	658,556	**712,077**

Other financial assets are analysed as follows		
Due before one year (note 16(b))	**658,556**	712,077
Due after one year (note 16(a))		
	658,556	**712,077**

Loans to group companies

Loans to group companies consist of loans to BT (Global Holding) UK Ltd with a maturity date of 14 December 2018. Interest rates are fixed (1.718%) and are deemed to be at 'arm's length'.

Cash pooling facility

The cash pooling facility is with the Group treasury facility whereby the bank accounts of all participating group companies are pooled.

Notes to the Financial Statements (continued)

17. Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Obligations under finance leases (note 19)	**3,794**	3,224
Trade creditors	**187,804**	111,780
Amounts due to customers on long term contracts (note 15(b))	**764,905**	391,595
Amounts owed to Group undertakings	**188,271**	199,519
Forward currency contract liabilities (note 27(a))	**27,089**	43,676
Other taxes and social security costs	**63,691**	15,312
Corporation tax payable	**14,781**	8,227
Accruals and deferred income	**87,901**	68,227
	1,338,236	841,561

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

	2017	2016
	£'000	£'000
Amounts owed to Group undertakings	**9,420**	872
Obligations under finance leases (note 19)	**20,996**	24,435
Deferred taxation (note 20(b))	**13,252**	-
	43,668	25,307

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

19. Obligations under leases and hire purchase contracts

Obligations under finance leases and hire purchase contracts

The Company uses finance leases to acquire property and hire purchase contracts to acquire plant and machinery. Future minimum lease payments under finance leases and hire purchase contracts are as follows. The finance lease liabilities are secured over the assets to which they relate, there are no other restrictions placed upon the lessee by entering into these lease agreements.

	2017	2016
	£'000	£'000
Future minimum lease payments due		
Within one year	**4,927**	4,491
Within two to five years	**23,422**	28,396
After five years	**-**	-
	28,349	32,887
Less finance charges allocated to future periods	**(3,559)**	(5,228)
Net finance leasing liabilities (note 27 (a))	**24,790**	27,659

19. Obligations under leases and hire purchase contracts (continued)

	2017	2016
	£'000	£'000
Finance lease contracts are analysed as follows:		
Current obligations (note 17)	3,794	3,224
Non-current obligations (note 18)	20,996	24,435
	24,790	27,659

Obligations under operating leases where the company is a lessee

The Company has entered into commercial leases on certain properties and motor vehicles. These leases have duration of between three and ten years. Only property lease agreements contain options for renewal.

Operating lease liabilities are secured over the assets to which they relate, there are no other restrictions placed upon the lessee by entering into these lease agreements.

The total obligations for minimum lease payments under non-cancellable operating leases are as follows:

	2017	2016
	£'000	£'000
Future minimum lease payments due		
Within one year	1,394	1,274
Within two to five years	4,470	3,961
After five years	9,180	9,683
	15,044	14,918

Obligations under operating leases where the company is a lessor

The Company sub-leases surplus office accommodation to third parties for a period of 5 years from 7th April 2013 under a non-cancellable rental agreement which expires May 2018.

Future minimum lease payments receivable under the non-cancellable operating lease are as follows:

	2017	2016
	£'000	£'000
Future minimum lease payments due		
Within one year	90	216
Within two to five years	-	90
	90	306

Notes to the Financial Statements (continued)

20. Provisions

a) Provisions for liabilities

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

	Warranty	Work due provision	Decomm'n & Dilapid'n	Restructure	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2017	22,399	60,881	1,713	1,342	2,069	88,404
Arising during the year	11,043	1,884	-	1,951	3,736	18,614
Released during the year	(6,685)	(2,184)	-	(680)	(1,449)	(10,998)
Utilised during the year	(5,569)	(18,234)	-	(1,223)	-	(25,026)
Unwinding of discount	-	-	62	-	-	62
At 31 December 2017	21,188	42,347	1,775	1,390	4,356	71,056
Of which						
Current portion	5,155	26,257	-	1,390	3,689	36,491
Non-current portion	16,033	16,090	1,775	-	667	34,565
Total Provisions	21,188	42,347	1,775	1,390	4,356	71,056
Expected outflow of resources						
Within one year	5,155	26,257	-	1,390	3,689	36,491
Between two and five years	14,655	15,873	1,775	-	667	32,970
Over five years	1,378	217	-	-	-	1,595
Total Provisions	21,188	42,347	1,775	1,390	4,356	71,056

Warranty, work due, restructuring and decommissioning and dilapidation provisions are described in the accounting policies (note 2). Other provisions include the cost to reinstate contractual stock following usage and all movements are recorded through cost of sales.

20. Provisions (continued)

b) Deferred taxation shown under taxation note

The deferred tax included in the company balance sheet is as follows:

	2017	**2017**	2016	2016
		Not		Not
	Recognised	**Recognised**	Recognised	Recognised
	£'000	**£'000**	£'000	£'000
Depreciation in excess of capital allowances	**499**	-	(1,501)	-
Other timing differences	**(3,664)**	-	(9,037)	-
Capital losses	-	**2,634**	-	359
Non trade losses	-	-	669	-
Pension	**(10,087)**	-	22,446	-
Deferred taxation asset / (liability)	**(13,252)**	**2,634**	12,577	359

A deferred taxation liability of £13,252,000 has been recognised (2016: asset £12,576,561). £448,000 deferred tax asset on capital losses has not been recognised (2016: £359,005) as there is not an expectation of sufficient future profits to fully offset these losses.

Capital losses of £2,633,581 will be capable of utilisation against future capital gains of the Bombardier UK Group (2016: £2,111,799). Non trade losses of £NIL are available to be utilised against future non trade profits of the company (2016: £3,936,950).

Other timing differences of (£3,664,000) (2016: (£9,037,349)) include deferred tax on hedging contracts of (£3,919,146) (2016: (£7,228,118)) as the major constituent.

c) Movement on deferred tax

	Recognised	**Not Recognised**
	£'000	**£'000**
At 1 January 2017	**12,577**	**359**
Depreciation in excess of capital allowances	2,000	-
Other timing differences	5,373	-
Capital losses	-	2,275
Non trade losses	(669)	-
Pension	(32,533)	-
At 31 December 2017	**(13,252)**	**2,634**

Movements in the above deferred taxation balances do not directly compare with the current year temporary differences shown in note 12(a) because of the effect of changes in taxation rates and adjustments in respect of prior periods to deferred taxation.

21. Share capital

	2017 No.	2016 No.	2017 £'000	2016 £'000
Authorised Share Capital				
Ordinary shares of £1 each	**70,000,000**	70,000,000	**70,000**	70,000
Redeemable ordinary shares of £1 each	**80,000,000**	80,000,000	**80,000**	80,000
	150,000,000	150,000,000	**150,000**	150,000
Allotted, called up and fully paid:				
Ordinary shares of £1 each	**52,758,763**	52,758,763	**52,759**	52,759
Redeemable ordinary shares of £1 each	**42,051,944**	42,051,944	**42,052**	42,052
	94,810,707	94,810,707	**94,811**	94,811

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

The redeemable shares shall be redeemed on the following terms:

i the Company may redeem the redeemable ordinary shares at any time following a minimum of three months' notice period to the holders of the redeemable ordinary shares;

ii upon the redemption date, the holders of the redeemable ordinary shares shall deliver the certificates for the shares to the Company's registered office, in exchange for the amount due to said holders;

iii the amount redeemable on each share shall be the amount paid; and

iv the receipt, by the holders of the redeemable ordinary shares, of the amount payable on redemption shall constitute an absolute discharge to the Company in respect of such redemption.

22. Reserves

	Cash flow hedge reserve	Unrealised gains/ (losses) reserve	Retained earnings
	£'000	£'000	£'000
At 1 January 2016	(22,059)	(685)	451,889
Actuarial loss	-	-	(195,227)
Deferred taxation on pension	-	-	31,323
Profit on cash flow hedges taken to equity	77,999	-	-
Cash flow hedges recycled through the Statement of profit or loss	2,689	-	-
Deferred taxation on cash flow hedges	(15,041)	-	-
Profit for the year	-	-	85,698
At 1 January 2017	**43,589**	**(685)**	**373,683**
Actuarial Gain	-	-	193,452
Deferred taxation on pension	-	-	(33,009)
Profit on cash flow hedges taken to equity	3,251	-	-
Cash flow hedges recycled through the Statement of profit or loss	(25,143)	-	-
Deferred taxation on cash flow hedges	4,266	-	-
Profit for the year	-	-	82,479
At 31 December 2017	**25,963**	**(685)**	**616,605**

Cash flow hedge reserve

The cash flow hedge reserve is used to record the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. The tax effect of cash flow hedge instruments reflects the change in balances from 2016 to 2017 only for the effective portion (ineffectiveness has been accounted for directly in the Statement of profit or loss).

The reconciliation of these changes to the notes is difficult to directly observe. For illustrative purposes, a reconciliation is provided below (note that the net change is also included in the Statement of Comprehensive Income).

22. Reserves (continued)

	Balances	Balances	Movement
	2,017	2,016	-
	£'000	£'000	£'000
Foreign exchange forward assets	671,443	477,021	194,422
Foreign exchange forward contract liabilities	(692,070)	(519,540)	(172,530)
Net increase of cash flow hedge accounting balances during 2017			21,892
Effective tax rate			19.00%
Tax gain			4,159

Unrealised gains/(losses) reserve

The unrealised gains/(losses) reserve is used to record other unrealised gains and losses including gains and losses on the translation of foreign operations.

23. Capital commitments

	2017	2016
	£'000	£'000
Amounts contracted but not provided	1,088	692

Committed expenditure is for investment in new plant and machinery.

24. Retirement benefit schemes

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

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

	2017	2016
	£'000	£'000
Defined benefit retirement schemes	23,212	17,025
Multi-employer schemes	44	42
Defined contribution retirement schemes	2,985	2,394
	26,241	19,461

a) Defined benefit pension schemes

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

- Bombardier Transportation UK VP Scheme;
- Bombardier Transportation UK Pension Plan;
- Bombardier Transportation UK 2003 Pension Scheme;
- Bombardier Transportation UK Senior Executive Pension Scheme;
- Railway Pensions Schemes - Omnibus Shared Cost Section;
- Railway Pensions Schemes - Bombardier Transportation C2C Shared Cost Section;
- Railway Pensions Schemes - Bombardier Transportation Shared Cost Section;
- Railway Pensions Schemes - Bombardier Transportation Signal Shared Cost Section; and
- Bombardier Transportation Train Tickets.

25. Retirement benefit schemes (continued)

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

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

The pension scheme assets are held in a separate Trustee Director administered fund to meet long-term pension liabilities to past and present employees. The boards of Trustee Directors for the pension schemes are made up of representatives from the Company and members. The Trustee Directors of the fund are required to act in the best interest of the fund's beneficiaries.
All retirement benefit schemes are administered in accordance with UK legal requirements, the main regulations being Pension Schemes Act 1993, Pensions Act 1995, Occupational Pension Schemes (contracting-out) Regulations 1996 and the Finance Act 2004.

The Company employs professional actuaries to value the defined benefit pension schemes, and this evaluation is performed annually as at the 31st December each year.

Employees' and employer's contributions to funded schemes are based upon a percentage of salary in accordance with the rules of the schemes. For the BTUK Pension Plan and the BTUK 2003 Pension Scheme, the Trustee Actuary calculates the funding level every six months, and if this funding falls below 90% then additional deficit contributions become payable. Deficit payments were made on a monthly basis Jan-17 to Jul-17 £517,000 and Aug-17 to Dec-17 £142,000.

Entry to the following schemes are closed to new entrants
- Bombardier Transportation UK VP Scheme;
- Bombardier Transportation UK Pension Plan;
- Bombardier Transportation UK 2003 Pension Scheme;
- Bombardier Transportation UK Senior Executive Pension Scheme;
- Railway Pensions Schemes - Omnibus Shared Cost Section;
- Railway Pensions Schemes - Bombardier Transportation C2C Shared Cost Section;
- Railway Pensions Schemes - Bombardier Transportation Signal Shared Cost Section;
- Railway Pensions Schemes - Bombardier Transportation Shared Cost Section; and
- Bombardier Transportation Train Tickets.

Change in projected benefit obligation (PBO)

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

	2017	2016
	£'000	£'000
Benefit obligation as at 1 January	**(1,620,927)**	(1,230,783)
Current service cost	**(21,220)**	(19,652)
Interest cost	**(39,009)**	(45,313)
Plan participants' contributions	**(605)**	(956)
Actuarial gain / (loss)	**98,134**	(366,189)
Benefits paid	**47,617**	41,966
Benefit obligation as at 31 December	**(1,536,010)**	(1,620,927)
Benefit obligation – funded plans	**(1,528,357)**	(1,613,212)
Benefit obligation – unfunded plans	**(7,653)**	(7,715)
	(1,536,010)	(1,620,927)

The total actuarial gain is made up of changes in financial assumptions £43,759,000 (2016: loss £378,441,000), changes in demographic assumptions is a gain 2017: £5,707,000 (2016: £nil) and changes in other experience adjustments is a gain £48,668,000 (2016: gain £12,252,000).

24. Retirement benefit schemes (continued)

Change in plan assets

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

	2017	2016
	£'000	£'000
Fair value as at 1 January	**1,488,890**	1,291,059
Interest Income on plan assets	**37,017**	47,891
Actuarial gain / (loss)	**95,318**	170,962
Employer contribution	**20,309**	19,871
Plan participants' contributions	**605**	956
Benefits paid	**(47,500)**	(41,849)
Fair value as at 31 December	**1,594,639**	1,488,890

Plan asset allocation

As at 31 December 2017, the scheme assets were invested in a diversified portfolio that consisted primarily of equity and debt securities. Plan assets did not include any shares of the Company's parent or of any related parties, nor any property occupied by the company, its parent company or any related parties.

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

	2017 £'000	% of total	2016 £'000	% of total
Equities	**672,489**	**42.2%**	760,177	51.1%
Debt securities	**859,860**	**53.9%**	694,583	46.7%
Other	**62,290**	**3.9%**	34,130	2.3%
Total	**1,594,639**	**100.0%**	1,488,890	100.0%

Principal assumptions and risks

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

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

	2017	2016
Discount rate	2.51%	2.50%
CPI inflation assumption	2.05%	2.08%
Rate of compensation increase	2.87%	2.87%
Pension increase assumption	1.99%	1.99%
Life expectancy of a male aged 65 at end of year	22.6	22.6
Life expectancy of a female aged 65 at end of year	24.7	24.7

24. Retirement benefit schemes (continued)

The UK discount rate is based on published indices for 15-year AA bonds. Outlying items in the market population are ignored. The expected rate of returns on bonds is a weighted average reflecting the mix of government, index-linked and corporate bonds held by the pension funds. Property returns are based on published indices and reflect longer-term performance. The assumptions for inflation and for increases in pensions are based on the yield gap between long-term index-linked and long-term fixed interest gilt securities. In the UK, mortality rates are based on PA92C20 medium cohort (BT VP), RPS specific adjusted from SAPS tables (RPS plans) and PNA00 medium cohort (for remaining plans), adjusted to reflect recent experience in the scheme and projected improvements in life expectancy assumed to continue to 2020 with minimum improvement thereafter.

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

	Change in assumption	Expense 2017 £'000	Net defined liability 2017 £'000
Discount rate	+0.25%	(3,513)	(87,349)
Compensation increase	+0.25%	810	9,283
Inflation rate	+0.25%	1,865	53,551
Life expectancy	+1 year	1,786	46,290

Reconciliation of schemes in net surplus

	2017	2016
	£'000	£'000
Fair value of plan assets	**1,415,719**	39,932
Benefit obligations	**(1,313,017)**	(31,992)
Pension surplus	**102,702**	7,940
Benefit obligation – funded schemes	**(1,313,017)**	(31,992)
	(1,313,017)	(31,992)

In 2017 the schemes in surplus were:

- Bombardier Transportation UK Senior Executive Pension Scheme.
- Bombardier Transportation UK Pension Plan
- Bombardier Transportation UK 2003 Pension Scheme
- Bombardier Transportation UK VP Scheme

24. Retirement benefit schemes (continued)

Reconciliation of schemes in net deficit

	2017	2016
	£'000	£'000
Fair value of plan assets	**178,920**	1,448,958
Benefit obligations	**(222,993)**	(1,588,935)
Pension deficit	**(44,073)**	(139,977)
Benefit obligation – funded schemes	**(215,340)**	(1,581,220)
Benefit obligation – unfunded schemes	**(7,653)**	(7,715)
	(222,993)	(1,588,935)

In 2017 the schemes in deficit were:

- Railway Pensions Schemes - Bombardier Transportation C2C Shared Cost Section;
- Railway Pensions Schemes – Bombardier Transportation Shared Cost Section;
- Railway Pensions Schemes - Bombardier Transportation Signal Shared Cost Section and
- Bombardier Transportation Train Tickets.

Amounts recognised in primary statements

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

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

Analysis of amount charged to operating profit

	2017	2016
	£'000	£'000
Employer's current service cost	**(21,220)**	(19,652)
Total operating charge	**(21,220)**	(19,652)

Curtailments have been included within administrative expenses. Services costs have been included within cost of sales.

Analysis of the amount credited to other finance income

	2017	2016
	£'000	£'000
Expected return on pension plan assets	**37,017**	47,891
Interest on pension liabilities	**(39,009)**	(45,313)
Net return shown in other finance income – (note 11)	**(1,992)**	2,578

24. Retirement benefit schemes (continued)

Actual return on scheme assets / liabilities

	2017	2016
	£'000	£'000
Actual return for schemes in surplus	(344)	294
Actual return for schemes in deficit	(1,648)	2,382
Net return on scheme assets / (liabilities)	(1,992)	2,676

Analysis of amount recognised in Statement of comprehensive income

	2017	2016
	£'000	£'000
Actuarial gain / (loss) on scheme liabilities	98,134	(366,189)
Actuarial gain / (loss) on scheme assets	95,318	170,962
Actuarial gain / (loss) recognised in the Statement of comprehensive income	193,452	(195,227)

Analysis of cumulative amount recognised in Statement of comprehensive income

	2017	2016
	£'000	£'000
Cumulative amount recognised at 1 January	(374,547)	(179,320)
Actuarial (loss)/gain	193,452	(195,227)
Cumulative amount recognised at 31 December	(181,095)	(374,547)

Analysis of amount recognised in the Balance sheet

	2017	2016
	£'000	£'000
Present value of defined benefit obligations		
Funded schemes	(1,528,357)	(1,613,212)
Unfunded plans schemes	(7,653)	(7,715)
Fair value of plan assets	1,594,639	1,488,890
	58,629	(132,037)

There are no changes in the asset ceiling of the defined benefit schemes which affect the amounts reported in the financial statements.

As permitted under IFRS 1, the company has not determined the amount of actuarial gains and losses that would have been recognised in OCI prior to the adoption of FRS 101 on 1st January 2012. The net cumulative actuarial gain before income tax, recognised directly to OCI since 1st January 2012 amounted to £36,000,000. (2016: Loss £157,503,000)

24. Retirement benefit schemes (continued)

History of experience gains and losses:

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Fair value of scheme assets	1,594,639	1,488,890	1,291,059	1,294,081	1,131,143
Projected benefit obligation	(1,536,010)	(1,620,927)	(1,230,783)	(1,295,127)	(1,131,557)
Surplus / (Deficit) in the schemes	58,629	(132,037)	60,276	(1,046)	(414)
Experience adjustments arising on plan liabilities	(48,668)	(12,252)	(50,244)	681	9,535
Experience adjustments arising on plan assets	95,318	162,038	(34,528)	109,533	67,203

- **Multi-employer schemes**

The Company is a participant of the Rail Pension Scheme - Omnibus Shared Cost Section defined benefit pension scheme, which is a multi-employer scheme. The assets of the scheme are pooled and not allocated to individual participating employers; therefore the Company is unable to identify its share of the underlying assets and liabilities of the pension plan. Accordingly, the Company has taken advantage of the provisions of IAS 19.34 for a multi-employer scheme and accounted for the scheme as if it was a defined contribution scheme.

Contributions are required to be made to a separate fund held independently by Trustee Directors who are responsible for managing and administering the scheme.

The statutory funding objective is that the section should have sufficient and appropriate assets to cover its technical provisions, which at any given date are to be calculated as the capital value of the prospective benefits arising from pensionable service completed before that date, including where appropriate allowance for prospective increases in pensionable pay for those members in pensionable service at that date. This method of calculating technical provisions is known as the projected accrued benefit method.

Participating employers are responsible for funding orphan liabilities due to employers that have ceased to participate in the section.

The table below shows the number of members in the Bombardier Transportation UK Limited Section of the RPS Omnibus plan compared to the total number of members as at 31st December 2013.

	Total Plan		Bombardier Transportation	
	Number	Total Pensionable pay / pension £000	Number	Total Pensionable pay / pension £000
Members in service	725	34,368	11	515
Deferred pensioners	561	1,482	18	134
Pensions in payment	347	2,096	15	209

As at 31 December 2013 the date of the last actuarial valuation of the Plan prepared for the trustees, a deficit was recorded before deferred taxation of £5,400,000.

The Omnibus rules do not prescribe an explicit approach for the allocation of surplus or shortfall between employers. The trustee has therefore agreed the approach to be used based on the advice of the Actuary. The approach for 2013 is consistent with the allocation of the shortfall in 2010 and 2004 and the surplus at the 2007 valuation.

24. Retirement benefit schemes (continued)

The shortfall in relation to the Company as per the 2013 valuation statement is £571,341.

In addition to the Company's regular contributions, the Company will make lump sum payments of £141,750, payable monthly from 1st July 2015 until 30th June 2025; and in addition £375,000, payable monthly from 1st July 2016 as a contingent funding requirement.

c) Defined contribution schemes:

The total cost charged to income of £2,985,000 (2016: £2,394,000) represents contributions payable to these schemes by the Company at rates specified in the rules of the plans. As at 31st December 2017 no contributions were outstanding in respect of defined contribution schemes (2016: nil).

25. Related parties

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

Bombardier Transportation UK Ltd is a shareholder in all of the companies listed below.

During the year the Company entered into transactions, in the ordinary course of business, with companies in which they are a shareholder. Transactions entered into, and trading balances outstanding at 31st December are as follows:

Related party / Relation between companies	Year	Sales to related party £'000	Purchases from related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
Bombardier Transportation South Africa					
Subsidiary company	**2017**	**14**	-	**14**	-
	2016	26	-	13	-
Bombela Electrical & Mechanical Works (Proprietary) Ltd					
Subsidiary company	**2017**	-	-	-	-
	2016	3,221	-	-	-
Bombela Maintenance Ltd					
Subsidiary company	**2017**	**22,923**	**9,593**	**9,834**	-
	2016	23,423	13,819	6,943	1,508
Bombardier Saudi Arabia Ltd					
Subsidiary company	**2017**	-	**39**	-	-
	2016	-	11,384	-	-

There is no provision for bad debts against any intercompany debts, and no bad debts have been written off during the year.

Terms and conditions – Sales and purchases between related parties are on an 'arm's length' basis. Outstanding balances with entities other than subsidiaries are unsecured, interest free and settlement is expected within 60 days. No transactions have been entered into and no balances remain outstanding with Isithimela Rail Services (propriety) Limited (2016: nil) and Infrasig Limited (2016: nil).

26. Share-based payments

The Company in conjunction with the ultimate parent undertaking, Bombardier Inc., incentivises senior executives with share based incentive payments under Group wide schemes.

a) Performance share unit plan

During financial year 2005, the Board of Directors of Bombardier Inc. approved a performance share unit plan under which performance share units ("PSUs") may be granted to executives and other key employees ("beneficiaries").

The PSUs give recipients the right, upon vesting, to receive a certain number of Class B shares (subordinate Voting) in Bombardier Inc. PSUs granted vest three years after award if certain financial performance targets are met.

The PSUs granted during financial year 2017 vest on August 4th 2020, 2016 vest on August 12th 2019, 2015 vest on 7th August 2018 if certain financial performance targets are met.

The conversion ratio for vested PSUs granted in 2014, 2013, 2012 and 2011 ranges from 70% to 150%.

The following table illustrates the number of outstanding PSU's at 31st December in respect of Bombardier Transportation UK executive participation

PSU	2017		2016	
	No.	**Value at time of grant £'000**	No.	Value at time of grant £'000
Outstanding as at 1 January	**2,159,488**	**2,681**	983,817	1,992
Foreign currency adjustment	**-**	**-**	-	-
Country transfer	**(177,750)**	**(247)**	-	-
Transfer in to UK	**17,513**	**20**	34,913	91
Adjustment to opening Value	**-**	**-**	-	-
Granted during the year	**1,778,373**	**2,729**	1,605,308	1,908
Lapsed	**-**	**-**	-	-
Forfeited	**(656,272)**	**(1,322)**	(464,550)	(1,310)
Outstanding as at 31 December	**3,121,352**	**3,861**	2,159,488	2,681

b) Share option plans

Under share option plans, options were granted to key employees of Bombardier Transportation UK Ltd and its subsidiaries to purchase Class B Shares (Subordinate Voting) in Bombardier Inc.

Of the 224,641,195 Class B Shares (Subordinate Voting) reserved for issuance, 65,065,789 were available for issuance under these share option plans as at 31st December 2017.

Current Share Option Plan – Effective 10th June 2009

Bombardier Inc. amended prospectively the share option plan for key employees. The significant terms and conditions of the plan are as follows:

- Exercise price is equal to the weighted-average trading prices on the Toronto Stock Exchange during the five trading days preceding the date on which the options were granted.
- Options vest at 100% after three years with no threshold or target price to reach for the options to vest.
- The options terminate no later than seven years after the grant date.

26. Share based payments (continued)

The number of options outstanding at 31st December is as follows

	2017		2016	
	Number of options	Weighted-average exercise price (£)	Number of options	Weighted-average exercise price (£)
Balance at end of year	**644,403**	**1.37**	**1,395,012**	**1.39**
Options exercisable at end of year	**61,345**	**2.23**	-	-

c) Employee share purchase plan

Under the employee share purchase plan, employees of the Group are eligible to purchase Bombardier Inc.'s, Class B Shares (Subordinate Voting) up to a maximum of 20% of their base salary to a yearly maximum of 20% of their base salary to a yearly maximum of CAD $30,000 per employee. The contributions are used to purchase Bombardier Inc.'s, Class B Shares (Subordinate Voting) in the open market on monthly investment dates or as otherwise determined by Bombardier Inc., but no less often than monthly. The cost of operating this plan is charged to subsidiaries each month, the total cost incurred by Bombardier Transportation UK Ltd during 2017 was £83,771 (2016: £79,008). Shares purchased are subject to a mandatory 12-month holding period that must be completed at the anniversary date of 1 January.

d) Restricted Share unit plan

RSU	2017			2016		
	No.	Value at time of grant	Market Value (GBP)	No.	Value at	Market Value (GBP) as of
		£'000	£'000		£'000	£'000
Outstanding as at 1 January	1,332,179	964	-	1,498,992	1,107	-
Country transfer	(65,045)	(58)	-	-	-	-
Transfer in to UK	13,575	12	-	26,697	24	-
Granted during the year	-	-	-	35,000	42	-
Forfeited	(104,021)	(103)	-	- 228,510	- 210	-
Outstanding as at 31 December	**1,176,688**	**815**	**2,103**	**1,332,179**	**964**	**1,736**

During financial year 2017, a total of nil RSUs were authorised for issuance (35,000 RSUs during financial year 2016).

The RSUs give recipients the right, upon vesting, to receive a certain number of the Corporation's Class B Shares (Subordinate Voting). RSU's also give certain recipients the right to receive a cah payment equal to the value of the RSUs.

RSU's granted will vest regardless of the performance. RSU's generally vest 3 years following the grant date. For Grants issued August 2017, the vesting date will be in August 2020.

The weighted average grant date fair value of PSUs & RSUs granted during the fiscal year of 2017 $2.04 Canadian Dollars (2016: $1.50). The fair value of each PSUs and RSUs granted was measured based on the closing price of a class B share (subordinate voting) of the Corporation on the Toronto Stock Exchange.

27. Financial instruments

a) Financial instruments

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

Foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the GBP against various exchange rates with all other variables held constant, of the company's profit before taxation (due to foreign exchange translation of monetary assets and liabilities and fair value movements on currency contracts) and the company's equity (due to changes in the fair value of forward currency hedges and net investment hedges). The impact of translating the net assets of foreign operations into GBP is excluded from the sensitivity analysis.

	Impact of a 1% increase in the value of the GBP		Impact of a 1% decrease in the value of the GBP	
	Effect on hedges	Effect on embedded derivative	Effect on hedges	Effect on embedded derivative
	£'000	£'000	£'000	£'000
2017				
CHF/GBP	1	(28)	(1)	28
EUR/GBP	6,748	(491)	(6,748)	491
PLN/GBP	122	-	(122)	-
SEK/GBP	2,903	-	(2,903)	-
USD/GBP	(555)	-	555	-
ZAR/GBP	223	-	(223)	-
CNY/GBP	711	-	(711)	-
2016				
CHF/GBP	9	-	(9)	-
EUR/GBP	5,101	-	(5,101)	-
PLN/GBP	55	-	(55)	-
SEK/GBP	1,625	-	(1,625)	-
USD/GBP	449	-	(449)	-
ZAR/GBP	209	-	(209)	-
CNY/GBP	420	-	(420)	-

27. Financial instruments (continued)

Maturity and interest rate risk profile of financial assets and liabilities

The maturity analysis of the financial assets and liabilities of the company as at 31 December 2017 is as follows:

Year ended 31 December 2017

Fixed rate	Within 1 year	1 - 2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
Embedded derivative	12	-	-	-	-	-	12
Forward currency contract assets	33,544	-	-	-	-	-	33,544
Forward currency contract liabilities	(27,089)	-	-	-	-	-	(27,089)
Trade and other receivables	1,531,713	14,431	12,302	12,288	12,273	124,793	1,707,799
Trade and other payables	(1,312,790)	-	-	-	-	-	(1,312,790)

Floating rate	Within 1 year	1 - 2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash	4,404	-	-	-	-	-	4,404
Obligations under finance leases and hire purchase contracts	(3,794)	(3,867)	(17,129)	-	-	-	(24,790)

Year ended 31 December 2016

Fixed rate	Within 1 year	1 - 2 years	2-3 years	3-4 years	4-5 years	More than 5	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Embedded derivative		-	-	-	-	-	
Forward currency contract assets	42,077	-	-	-	-	-	42,077
Forward currency contract liabilities	(43,676)	-	-	-	-	-	(43,676)
Trade and other receivables	1,193,469	25,920	11,915	11,904	11,890	132,630	1,387,728
Trade and other payables	(794,661)		-	-	-	-	(794,661)

Floating rate	Within 1 year	1 - 2 years	2-3 years	3-4 years	4-5 years	More than 5	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash	864						864
Obligations under finance leases and hire purchase contracts	(3,224)	(3,192)	(3,643)	(17,600)			(27,659)

27. Financial instruments (continued)

As at 31 December 2017 financial assets containing an embedded derivative have been designated as at fair value through the Statement of Profit or Loss at £nil (2016: £ nil).

Credit risk

There are no significant concentrations of credit risk within the Company. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments, except trade and other receivables and payables:

	Carrying amount		Fair Value	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Financial assets				
Cash	**4,404**	864	**4,404**	864
Derivative financial instrument assets (note 16(c))	**33,544**	42,077	**33,544**	42,077
Embedded derivative (note 16(c))	**12**	-	**12**	-
	37,960	42,941	**37,960**	42,941

	Carrying amount		Fair Value	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Financial liabilities				
Obligations under finance leases and hire purchase contracts (note 19)	**24,790**	27,659	**24,790**	27,659
Derivative financial instrument liabilities (note 18)	**27,089**	43,676	**27,089**	43,676
	51,879	71,335	**51,879**	71,335

The fair value of financial assets has been calculated using the market interest rates. The fair value of current trade and other receivables and payables is approximate to their book value.

Floating rate borrowings for the company includes the 6.6% finance lease.

b) Cash flow hedges

At 31 December 2017, the Company held a total of 159 (2016: 134) forward exchange contracts designated as cash flow hedges of expected future purchases from overseas suppliers for which the Company believes to be 'highly probable' transactions. The number, currency and terms of these forward exchange contracts are as follows:

27. Financial instruments (continued)

Year ended 31 December 2017

Currency	Value '000	Number	Maturity range of future purchases	Average exchange rate	Unrealised gain/(loss) £'000
EUR	1,096,957	70	14.02.2018 - 14.11.2018	1.1297	3,393
SEK	363,642	40	14.02.2018 - 14.11.2018	10.9590	(1,068)
PLN	19,257	16	14.02.2018 - 08.08.2018	4.8343	582
ZAR	171,487	5	08.08.2018	18.7361	1,753
CHF	3,547	7	14.02.2018 - 14.11.2018	1.2791	(22)
USD	359,811	15	14.02.2018 - 08.08.2018	1.3261	400
CNY	71,524	6	08.08.2018	9.1112	1,601
		159			6,640

Year ended 31 December 2016

Currency	Value '000	Number	Maturity range of future purchases	Average exchange rate	Unrealised gain/(loss) £'000
EUR	942,334	58	15.02.2017 - 08.11.2017	1.1787	(6,134)
SEK	213,666	21	15.02.2017 - 08.11.2017	11.3163	(966)
PLN	5,912	15	15.02.2017 - 08.11.2017	5.1649	168
ZAR	197,179	11	15.02.2017 - 08.11.2017	18.5147	2,922
CHF	1,832	9	15.02.2017 - 08.11.2017	1.3275	79
USD	489,718	18	15.02.2017 - 09.08.2017	1.3044	2,304
CNY	41,967	2	09.08.2017	9	26
		134			(1,603)

28. Parent Company

The Company's intermediate parent company undertaking is Bombardier Transportation (Holdings) UK Ltd, a company registered in England and Wales.

In the Directors' opinion the Company's ultimate parent company and controlling party is Bombardier Inc., which is incorporated in Canada and which is the largest group of undertakings for which group accounts are drawn up and of which the Company is a member. Group accounts for Bombardier Inc. are available from Corporate Office, 800 Rene-Levesque Blvd, West Montreal, Quebec, Canada H2B 1YB.