

Registered number: 16033

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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2011**

THURSDAY



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## **WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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### **COMPANY INFORMATION**

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**DIRECTORS**

A Bryan  
V M Hull  
G C J Campion (resigned 31 March 2011)  
J E M Drummond  
E K Whitfield (resigned 31 March 2011)  
K C Smith  
N Crossfield (appointed 7 June 2010)

**COMPANY SECRETARY**                      Invensys Secretaries Limited

**COMPANY NUMBER**                      16033

**REGISTERED OFFICE**

3rd Floor  
40 Grosvenor Place  
London  
SW1X 7AW

**AUDITOR**

Ernst & Young LLP  
The Paragon  
Counterslip  
Bristol  
BS1 6BX

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## **WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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## **WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011**

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The directors present their report and the financial statements for the year ended 31 March 2011

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £11,784k (2010 £4,318k)

There was no dividend paid during the year (2010 £5m)

#### **PRINCIPAL ACTIVITIES**

The principal activity of the Company during the year continued to be the design, manufacture and installation of railway signalling systems. The directors do not expect any change in the principal activity during the next financial year.

The 2010-11 trading period delivered sales at £246m (compared to £258m for the year ended 31 March 2010)

Orders received in the year ended 31 March 2011 fell to £159m (2009/10 £235m) down 32% due to a number of large contract awards received from Network Rail at the end of 2009/10. Key orders were secured during the period for the deployment of next generation of technologies for level crossings and modular signalling.

During the year there were notable achievements within the Network Rail portfolio. Eight major projects were commissioned over the period including Reading, where our new interlocking technology was successfully deployed in its most complex application to date. The Airdrie to Bathgate project was also successful where we provided the signalling technology for the reopening of a disused railway line. Additionally, the Service Control Centre has been successfully commissioned into operational service on the London Underground Victoria Line.

Outside the UK the Company continued to deliver on existing contracts in Asia and Northern Europe.

Profit before tax of £11.8m is higher than the previous year of £4.2m.

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## WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

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#### BUSINESS REVIEW

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

	2011 £000	2010 £000	% Change
Turnover	246,152	257,890	(4.55)
Total operating (loss)/profit before exceptional items and special pension contribution	(1,092)	20,443	(105.34)
Profit before taxation	11,810	4,208	180.66
Profit after tax	11,784	4,318	172.90
Shareholder's funds	293,859	261,728	12.28
	=====	=====	=====
	No.	No.	% Change
Employees at year end	1,729	1,733	(0.23)
	=====	=====	=====

#### DIRECTORS

The directors who served during the year were

A Bryan  
V M Hull  
G C J Campion (resigned 31 March 2011)  
J E M Drummond  
E K Whitfield (resigned 31 March 2011)  
K C Smith  
N Crossfield (appointed 7 June 2010)

James Drummond has announced that he is leaving Invensys and will be stepping down as a Director of the Company with effect from 30 June 2011

#### QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

Invensys International Holdings Limited, a wholly owned subsidiary of Invensys plc (the ultimate parent of the Company) has granted to some of the directors an indemnity (to the extent permitted by the Companies Act 2006) in respect of liabilities relating to proceedings brought by third parties and incurred as a result of their office. This qualifying third party indemnity remains in force as at the date of approving the Directors' report. This indemnity does not provide cover in the event that the director is proved to have acted dishonestly or fraudulently.

#### PRINCIPAL RISKS AND UNCERTAINTIES

##### Timing and frequency of contract awards

The revenue of the Company depends on a small number of large customers, such as Network Rail and London

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## **WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011**

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**Underground** New contract awards are generally associated with major transport infrastructure upgrades which by their nature are large and infrequent. Funding for these new projects is frequently dependent on governmental investment decisions and these may be affected by changes in political and economic conditions. As a result, the timing of contract awards is uncertain and delays in awards may result in volatility in the results and have a material adverse effect on the Company's business, financial condition and results of operations.

#### **Undertaking large, long-term projects could expose the Company to risk of loss**

A significant part of the Company's business involves long-term projects that can take many years to complete. These projects may be subject to delays and cost overruns due to delays in equipment deliveries, engineering problems, unanticipated cost increases, shortages of materials or skilled labour, customer programme delays or other unforeseen problems.

#### **Competitive and technology risks**

The Company operates in highly competitive markets and the Company's products and services are characterised by evolving industry standards and changing technology driven by the demands of customers. Failure to keep pace with technological changes and product requirements may result in loss of market share and lower margins.

### **RESEARCH AND DEVELOPMENT ACTIVITIES**

The Company carries out research and development in support of its activities (see note 3 to the accounts).

### **FUTURE DEVELOPMENTS**

The directors intend to maintain the management objectives and strategy of the last few years. Particular emphasis will be placed on restoring profitability through consistent contract delivery and by maintaining a strong order book.

### **EVENTS SINCE THE END OF THE YEAR**

During April 2011, a Business Improvement Plan (BIP) was announced. The costs for this restructuring programme will be incurred during 2011/12 and the Company is expected to benefit from cost reductions in future periods as a result of this restructuring programme. As a result the net costs and benefits from this programme cannot be accurately calculated.

### **COMPANY'S POLICY FOR PAYMENT OF CREDITORS**

It is Company policy in respect of its suppliers to develop long term relationships with them which includes making payments consistent with established practices agreed with suppliers and ensuring that they are aware of the terms of payment and that such terms are followed.

The average number of days purchases included within creditors on 31 March 2011 was 48 (2010: 42).

### **POLITICAL AND CHARITABLE CONTRIBUTIONS**

During the year, the Company made various charitable donations totalling £33,000 (2010: £8,000).

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## WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2011

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#### EMPLOYEE INVOLVEMENT

Information concerning employees and their remuneration is given in note 6. The Company seeks to ensure that fair consideration is given to applications for employment received from disabled persons and to ensure continued employment, training and advancement where possible of employees who are or become temporarily or permanently disabled.

The Company also recognises the need to provide information on matters of concern to employees. To satisfy that need, the Company provides employees with published financial and economic information through its consultative procedure.

#### AUDITOR

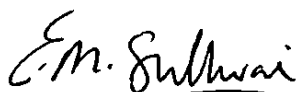
Under section 487(2) of the Companies Act 2006, Ernst & Young LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

#### PROVISION OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information.

This report was approved by the board and signed on its behalf



Per pro Invensys Secretaries Limited  
Secretary

Date 29/06/2011

3rd Floor  
40 Grosvenor Place  
London  
SW1X 7AW

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## **WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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### **STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 MARCH 2011**

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The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable 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). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Company's business activities, together with the factors likely to affect its future development, performance and position and the principal risks and uncertainties it faces, are set out in the Directors' Report on pages 1 to 4.

The Company has considerable financial resources together with well established contracts with a number of customers and suppliers. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.



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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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We have audited the financial statements of Westinghouse Brake and Signal Holdings Limited for the year ended 31 March 2011, which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 March 2011 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.

### **OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF WESTINGHOUSE BRAKE AND  
SIGNAL HOLDINGS LIMITED**

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**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

We have nothing to report in respect of the following matters where 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



Paul Mapleston (Senior statutory auditor)

for and on behalf of  
Ernst & Young LLP

Statutory Auditor

Bristol

Date 30/6/2011

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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2011**

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	Note	2011 £000	2010 £000
<b>TURNOVER</b>	2	<b>246,152</b>	<b>257,890</b>
Cost of sales		<u>(200,649)</u>	<u>(194,231)</u>
<b>GROSS PROFIT</b>		<b>45,503</b>	<b>63,659</b>
Administrative expenses		(36,062)	(31,530)
Other operating charges	3	<u>(23,035)</u>	<u>(23,859)</u>
<b>OPERATING (LOSS)/PROFIT</b>	3	<b>(13,594)</b>	<b>8,270</b>
<b>EXCEPTIONAL ITEMS</b>	8		
Net profit on sale of tangible fixed assets		3	-
Other exceptional items		<u>27,478</u>	<u>(1,790)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		<b>13,887</b>	<b>6,480</b>
Interest receivable and similar income	9	54	47
Interest payable and similar charges	10	(1,209)	(1,217)
Other net finance charges		<u>(922)</u>	<u>(1,102)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>11,810</b>	<b>4,208</b>
Tax on profit on ordinary activities	11	<u>(26)</u>	<u>110</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	23	<b><u>11,784</u></b>	<b><u>4,318</u></b>

All amounts relate to continuing operations

The notes on pages 12 to 48 form part of these financial statements

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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 2011**

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	Note	2011 £000	2010 £000
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>11,784</b>	<b>4,318</b>
Actuarial gain/(loss) related to pension scheme	7	19,980	(13,125)
Foreign currency exchange		(31)	-
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>		<b>31,733</b>	<b>(8,807)</b>

The notes on pages 12 to 48 form part of these financial statements

**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**  
**REGISTERED NUMBER: 16033**

**BALANCE SHEET**  
**AS AT 31 MARCH 2011**

	Note	£000	2011 £000	£000	2010 £000
<b>FIXED ASSETS</b>					
Intangible assets	13		14,408		12,773
Tangible assets	14		7,103		9,150
Investments	15		38		38
			<u>21,549</u>		<u>21,961</u>
<b>CURRENT ASSETS</b>					
Stocks	16	7,242		5,523	
Debtors amounts falling due after more than one year	17	4,380		6,456	
Debtors amounts falling due within one year	17	392,556		372,190	
Cash at bank and in hand		1,555		1,239	
		<u>405,733</u>		<u>385,408</u>	
CREDITORS: amounts falling due within one year	18	(88,350)		(84,805)	
<b>NET CURRENT ASSETS</b>			<u>317,383</u>		<u>300,603</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>338,932</u>		<u>322,564</u>
CREDITORS: amounts falling due after more than one year	19		(91)		(574)
<b>PROVISIONS FOR LIABILITIES</b>					
Other provisions	21		(10,557)		(7,825)
<b>NET ASSETS EXCLUDING PENSION SCHEME ASSETS/(LIABILITIES)</b>			<u>328,284</u>		<u>314,165</u>
Defined benefit pension scheme liability	7		(34,425)		(52,437)
<b>NET ASSETS INCLUDING PENSION SCHEME ASSETS/(LIABILITIES)</b>			<u>293,859</u>		<u>261,728</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	22		10,664		10,664
Profit and loss account	23		283,195		251,064
<b>SHAREHOLDERS' FUNDS</b>	25		<u>293,859</u>		<u>261,728</u>

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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**BALANCE SHEET (continued)  
AS AT 31 MARCH 2011**

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The financial statements were approved and authorised for issue by the board and were signed on its behalf by



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K C Smith  
Director

Date 29/06/2011

The notes on pages 12 to 48 form part of these financial statements

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## **WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011**

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#### **1 ACCOUNTING POLICIES**

##### **1.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The Company is itself a wholly owned subsidiary Company of Invensys plc, a Company registered in England and Wales, and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

##### **1.2 Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and Loss Account.

##### **1.3 Cash flow**

The Company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within a group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

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## WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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#### 1. ACCOUNTING POLICIES (continued)

##### 1.4 Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

Turnover is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. The following criteria must also be met before turnover is recognised

##### *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of goods

##### *Service contracts*

Revenue from long-term service provision contracts is recognised by reference to the stage of completion of contract activity at the balance sheet date. This is normally determined by the proportion that contract costs incurred to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion

If the nature of a particular contract means that costs incurred do not accurately reflect the progress of contract activity, an alternative approach is used such as the achievement of pre-determined contract milestones. Profit attributable to the contract activity is recognised if the final outcome of such contracts can be reliably assessed. On all contracts, full provision is made for any losses in the year in which they are first foreseen

##### 1.5 Research and development

Research and development expenditure is written off in the year in which it is incurred, except that development expenditure on an individual project is carried forward when its future recoverability can be reasonably regarded as assured

Any expenditure carried forward is amortised in line with expected future sales that relates to that project



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## WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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#### 1. ACCOUNTING POLICIES (continued)

##### 1.6 Pensions

The Company contributes to personal pension plans as stated below

###### *i) Invensys Pension Scheme*

The majority of UK based employees of the Company belong to the Invensys Pension Scheme, a defined benefit scheme

The Company is unable to separately identify on a consistent and reasonable basis its share of the underlying assets and liabilities of the Invensys Pension Scheme to which it participates and therefore accounts for this scheme as a defined contribution scheme, in accordance with the provisions of FRS 17

###### *ii) The Railways Pension Scheme*

In January 1998 Westinghouse Brake and Signal Holdings Limited acquired the assets and business of Signalling Control UK Limited. Employees of Signalling Control UK Limited retained the right to continue as members of the Signalling Control UK Limited Shared Cost Section of The Railways Pension Scheme

The service cost of providing retirement benefits to employees during the year is charged to operating profit or loss in the year. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. The full cost of providing amendments to benefits in respect of past service that vest immediately is also charged to operating profit or loss in the year. The expected return on the assets of the schemes during the year based on the market value of scheme assets at the start of the financial year is included within other net finance income/(charges). This also includes a charge representing the expected increase in liabilities of the schemes during the year, arising from the liabilities of the scheme being one year closer to payment. Differences between actual and expected returns on assets during the year are recognised in the statement of total recognised gains and losses in the year, together with differences from changes in assumptions and experience gains and losses on scheme liabilities.

The net deficit on defined benefit pension schemes is reported on the balance sheet within the pension liability. This is net of related deferred tax.

###### *iii) Defined Contribution Scheme*

The amount charged to the profit and loss account in respect of defined contribution pension costs represents the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid in the year are shown either as accruals or prepayments in the balance sheet.

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## WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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#### 1. ACCOUNTING POLICIES (continued)

##### 1.7 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its presumed useful economic life of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

##### *Intangible assets – Other*

Other intangible assets consist of computer software (where not integral to related hardware) and patents, licences and trademarks.

All intangible assets are recognised at cost (purchase price plus any directly attributable costs).

They are amortised over the useful life of the asset, in the range of 3 to 10 years.

##### 1.8 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2 - 2.5%
Plant & machinery	-	7 - 35%
Freehold land	-	Nil

##### *Impairment of tangible fixed assets*

Impairment reviews are undertaken if there are indications that the fixed assets carrying values may not be recoverable.

##### 1.9 Operating leases

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

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## **WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011**

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#### **1 ACCOUNTING POLICIES (continued)**

##### **1 10 Leasing and hire purchase**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and Loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

##### **1 11 Investments**

Investments in subsidiary undertakings are held at cost less provisions for impairment where a permanent diminution in value has been identified.

##### **1 12 Stocks and work in progress**

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

The net realisable value of long term contracts has been arrived at having regard to estimated cost to completion.

##### **1.13 Cash and Borrowings**

Cash at bank and in hand at the balance sheet date are deducted from bank loans and overdrafts where formal rights of set-off exist.

##### **1.14 Borrowing costs**

Borrowing costs are recognised as an expense when incurred.

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## **WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011**

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#### **1. ACCOUNTING POLICIES (continued)**

##### **1.15 Taxation**

Deferred income tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different to those in which they are included in the financial statements.

Deferred income tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

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

##### **1.16 Share based payments**

The ultimate parent Company operates various equity-settled and cash-settled share schemes. For equity-settled share options, the services received from employees are measured by reference to the fair value of the share options. The fair value is calculated at grant date using a valuation model and recognised in the profit and loss account, together with a corresponding increase in shareholders' equity, on a straight-line basis over the vesting period, based on an estimate of the number of options that will eventually vest. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value. Market conditions are those conditions that are linked to the share price of the ultimate parent Company.

For equity-settled share award schemes, the fair value is calculated based on the share price at the grant date and, where applicable, any market vesting conditions, and expensed over the vesting period based on the number of shares expected to vest. No expense is recognised for awards that do not ultimately vest, with the exception of awards where vesting is conditional upon a market condition, these are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are met.

For cash-settled share awards, the services received from employees are measured at the fair value of the liability and recognised in the profit and loss account on a straight-line basis over the vesting period. The fair value of the liability is re-measured at each reporting date and at the date of settlement with changes in fair value recognised in the profit and loss account.

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## WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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#### 1 ACCOUNTING POLICIES (continued)

##### 1.17 Dividend

The interim dividend is included in the accounts in the period it is approved by the directors and the final dividend in the period it is approved by the shareholders at the Annual General Meeting.

#### 2. TURNOVER

Turnover is all attributable to the same class of business, namely the design, manufacture and installation of railway signalling systems

A geographical analysis of turnover is as follows

	2011 £000	2010 £000
United Kingdom	190,856	213,840
Rest of Europe	27,984	20,066
Americas	295	1,693
Asia Pacific	26,942	22,160
Africa and Middle East	75	131
	<u>246,152</u>	<u>257,890</u>

#### 3 OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging

	2011 £000	2010 £000
Amortisation - intangible fixed assets	1,595	1,559
Depreciation of tangible fixed assets		
- owned by the company	2,549	2,814
- held under finance leases	127	138
Operating lease rentals		
- plant and machinery	302	280
- Land and buildings	3,479	3,353
Research and development expenditure	24,383	18,761
Other operating charges	10,533	11,686
Exceptional item Accelerated pension contributions (see below)	<u>12,502</u>	<u>12,173</u>

The £12,502,000 relates to a contribution by the Company in respect of a pension deficit reduction payment to the Invensys Pension Scheme (2010 £12,173,000)

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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**4 AUDITOR'S REMUNERATION**

	2011 £000	2010 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	223	176
Fees payable to the Company's auditor and its associates in respect of		
Other services relating to taxation	41	40
Other non audit fees	9	3

**5. DIRECTORS' REMUNERATION**

	2011 £000	2010 £000
Emoluments	1,252	1,774
Amounts receivable under long-term incentive schemes	360	2,227
Company contributions to money purchase pension schemes	84	73

During the year retirement benefits were accruing to 2 directors (2010 1) in respect of money purchase pension schemes

During the year retirement benefits were accruing to 3 directors (2010 5) in respect of defined benefit pension schemes

During the year 3 directors (2010 3) received shares under the long term incentive plan for qualifying services

The highest paid director received remuneration of £537,000 (2010 £532,000)

The value of the Company's contributions paid to a money purchase pension scheme in respect of the highest paid director amounted to £76,000 (2010 £73,000)

The highest paid director received shares under the ultimate parent Company's long term incentive schemes

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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**6 STAFF COSTS**

Staff costs, including directors' remuneration, were as follows

	2011 £000	2010 £000
Wages and salaries	104,429	104,346
Social security costs	5,509	5,618
Pension and other payroll costs	25,126	22,946
	<u>135,064</u>	<u>132,910</u>

The average monthly number of employees, including the directors, during the year was as follows

	2011 No	2010 No
Marketing and distribution	31	29
Production	1,500	1,528
Technical	178	145
Finance and administration	79	77
	<u>1,788</u>	<u>1,779</u>

Included in wages and salaries is a total share-based payment expense of £660,000 (2010 £1,290,000) of which £660,000 (2010 £1,290,000) arises from transactions accounted for as equity settled share-based payment transactions

Included in pension costs is a total accelerated pension contribution of £12,502,000 (2010 £12,173,000)

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## WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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#### 7. PENSIONS

##### *i) Invensys Pension Scheme*

The Company participates in the Invensys UK Pension Scheme, which is the principal Group scheme covering the majority of UK employees. The Invensys UK Pension Scheme is a funded defined benefit scheme. However, the Company is unable to separately identify its share of the underlying assets and liabilities of this defined benefit scheme to which it participates on a consistent and reasonable basis mainly because of the difficulty in obtaining accurate information for disposed companies and the subjective nature of any allocation basis. Therefore the Company accounts for this scheme as a defined contribution scheme, in accordance with the provisions of FRS 17. The scheme is currently in deficit on an IAS 19 basis using the projected credit actuarial valuation method to determine the scheme's liabilities. Details of the scheme and its deficit are included in Note 25 to the Group financial statements of Invensys plc in accordance with the accounting and disclosure requirements of IAS 19, which are generally equivalent to those of FRS 17.

Pension costs in respect of the Invensys UK Pension Scheme represented contributions payable in the year and amounted to £5,152,000 (2010 £5,527,000).

##### *ii) The Railways Pension Scheme*

###### *(i) General*

In January 1998 Westinghouse Brake and Signal Holdings Ltd acquired the assets and business of Signalling Control UK Ltd. Employees of Signalling Control UK Ltd retained the right to continue as members of the Signalling Control UK Limited Shared Cost Section of The Railways Pension Scheme.

This is a funded defined benefit scheme under which costs in respect of future accrual on an ongoing valuation basis are shared between the employer and the employees in the ratio 60/40. The costs shown in relation to accruing benefits will represent the total cost less any cash contributions made by the employees.

The last full actuarial valuation of the Scheme was carried out as at 31 December 2007. This has been updated to 31 March 2011 by an independent qualified actuary in accordance with FRS 17.

In line with the advice of the Scheme Actuary, the Company pays contributions to the Scheme at the rate of 17.22% of section pay. These Company contributions amounted to £5,380,000 (2010 £4,742,000) over the year. Note that this contribution amount does not include the employer contributions in respect of the matching AVC arrangement ("BRASS contributions") which were paid in addition.

In 2010, the UK Government changed the inflation measure used to determine the minimum pension increases to be applied to the statutory index-linked features of retirement benefits from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). In general, annual CPI increases have been lower than annual RPI increases and therefore the change has reduced the overall liabilities of the scheme.



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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**7. PENSION (continued)**

The UK Accounting Standards Board has published guidance on how to account for this situation for companies that report under UK GAAP Urgent Issues Task Force (UITF) Abstract 48, Accounting implications of the replacement of the retail prices index with the consumer prices index for retirement benefits, sets out how to apply the requirements of the UK standard FRS 17, Retirement Benefits, to the change from using RPI to using CPI

As the scheme was not obligated to increase pensions in line with RPI, the change to using CPI is considered to be a change in the increase assumption, and gives rise to an actuarial gain in accordance with FRS 17. In the main, the change to CPI affects only deferred pensions and has limited impact on pensions already in payment

A gain of £15,200,000 arising from the reduction in scheme liabilities as a result of the change has been included within Changes in assumptions underlying the present value of the plan liabilities

*(ii) Balance sheet reconciliation*

The assets and liabilities of the scheme at 31 March are

<b>Scheme assets at fair value</b>	<b>2011 £000</b>	<b>2010 £000</b>
Equities	105,794	86,397
Government bonds	5,489	-
Non-Government bonds	-	10,140
Property	-	4,282
Others	<u>417</u>	<u>434</u>
Fair value of scheme assets	111,700	101,253
Present value of scheme liabilities	<u>(146,125)</u>	<u>(153,690)</u>
Deficit in the scheme before tax	(34,425)	(52,437)
Related deferred tax (liability)/asset	<u>-</u>	<u>-</u>
Net liability in the balance sheet	<u><u>(34,425)</u></u>	<u><u>(52,437)</u></u>

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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**7. PENSION (continued)***(iii) Income and expenses*

The amounts that have been charged to the profit and loss account and statement of total recognised gains and losses under FRS 17 for the year ended 31 March are set out below

	2011 £000	2010 £000
<b>Analysis of amounts charged to operating profit</b>		
Current service cost	<u>(6,427)</u>	<u>(4,318)</u>
Total operating charges	<u>(6,427)</u>	<u>(4,318)</u>
<b>Analysis of amounts (charged)/credited to other finance (charges)/income</b>		
Expected return on pension scheme assets	7,811	6,009
Interest on pension scheme liabilities	<u>(8,732)</u>	<u>(7,111)</u>
Net finance charges	<u>(921)</u>	<u>(1,102)</u>
<b>Analysis of amounts recognised in the statement of recognised gains and losses</b>		
Actual return less expected return on scheme assets	333	20,356
Experience (gains) on the scheme liabilities	(4,414)	(68)
Changes in assumptions underlying the present value of the plan liabilities	<u>24,061</u>	<u>(33,413)</u>
Actuarial gain/(loss) recognised in the statement of total recognised gains and losses	<u>19,980</u>	<u>(13,125)</u>

Changes in assumptions underlying the present value of the plan liabilities includes a credit of £15,200,000 arising from the reduction in scheme liabilities as a result of the change to using CPI instead of RPI to determine minimum pension increases

The cumulative amount of actuarial gains and losses recognised since 1 April 2002 (the date of first implementation of FRS 17) in the statement of total recognised gains and losses is a loss of £25,241,000 (2010 loss of £45,221,000)

*(iv) Major assumptions*

The major assumptions used in calculating the liabilities of the scheme under FRS 17 are as follows

	2011 %	2010 %
Rates of increase in salaries *	4.95	5.05
Rates of increase to pension in payment (RPI)	3.70	3.80
Discount rate for scheme liabilities	5.30	5.50
Inflation rates	<u>2.95</u>	<u>3.80</u>

\* with an additional 0.75% promotional salary scale

# WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

### 7. PENSION (continued)

The assumed average expectation of life in years at age 65 is as follows

		31 March 2011	31 March 2010
Male currently age 65	Pension under £8,500 pa or pensionable pay under £30,000 pa	19.8	19.8
	Others	21.5	21.5
Male currently age 45	Pension under £8,500 pa or pensionable pay under £30,000 pa	22.2	22.2
	Others	23.7	23.7
Female currently age 65	Pension under £3,000 pa or pensionable pay under £30,000 pa	21.7	21.7
	Others	22.7	22.7
Female currently age 45	Pension under £3,000 pa or pensionable pay under £30,000 pa	23.2	23.2
	Others	24.2	24.2

The expected long-term rate of return and market value of the scheme assets at 31 March are

	2011 %	2010 %
Equities	7.80	8.00
Government bonds	4.35	-
Non-Government bonds	5.53	5.01
Cash	3.90	4.50
Property	6.67	6.75
Pooled private equity investments	<u>7.80</u>	<u>8.00</u>

The expected return on each asset class has been determined on the basis of market expectations for the rate of return on each asset class over the life of the related obligation, at the balance sheet date. In respect of the Railway Pension Scheme, Government and Corporate Bond indices have been used to set the expected rate of return on bonds subject to an adjustment for the risk of default, and a risk premium has been applied to determine the expected long-term rate of return on equity investments.

## WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

#### 7. PENSION (continued)

##### *(v) Changes in fair value of plan assets and present value of scheme liabilities*

Movement in the fair value of the scheme assets for the year to 31 March 2011 and 2010 are analysed below

	2011 £000	2010 £000
Scheme assets at beginning of year	101,253	73,088
Expected return on scheme assets	7,811	6,009
Actuarial gain	333	20,356
Contributions by the Company	5,380	4,742
Contribution by scheme participants	467	488
Benefits paid	<u>(3,544)</u>	<u>(3,430)</u>
Scheme assets at end of year	<u>111,700</u>	<u>101,253</u>
Actual return on scheme assets	<u>8,144</u>	<u>26,365</u>

Movement in the present value of the scheme liabilities for the year to 31 March 2011 and 2010 are analysed below

	2011 £000	2010 £000
Scheme liabilities at beginning of year	(153,690)	(111,722)
Current service cost	(6,427)	(4,318)
Benefit payments	3,544	3,430
Employee contributions	(467)	(488)
Interest cost	(8,732)	(7,111)
Actuarial gain/(loss)	<u>19,647</u>	<u>(33,481)</u>
Scheme liabilities at end of year	<u>(146,125)</u>	<u>(153,690)</u>

##### *(vi) History of scheme assets and liabilities and experience adjustments*

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Present value of the scheme liabilities	(146,125)	(153,690)	(111,722)	(120,575)	(113,624)
Fair value of the scheme assets	<u>111,700</u>	<u>101,253</u>	<u>73,088</u>	<u>97,031</u>	<u>97,862</u>
Deficit in the scheme	<u>(34,425)</u>	<u>(52,437)</u>	<u>(38,634)</u>	<u>(23,544)</u>	<u>(15,762)</u>
Experience adjustments on scheme liabilities	(4,414)	(68)	10,297	-	(378)
Experience adjustments on scheme assets	<u>333</u>	<u>20,356</u>	<u>(33,988)</u>	<u>(10,508)</u>	<u>3,609</u>

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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**7 PENSION (continued)****iii) Defined Contribution Schemes**

Pension costs charged in the year represent contributions payable in the year and amounted to £833,000 (2010 £673,000)

**8. EXCEPTIONAL ITEMS**

	2011 £000	2010 £000
Restructuring costs	(2,522)	(1,790)
Invensys International Holdings Limited loan release	30,000	-
Profit on sale of tangible fixed assets	3	-
	<u>27,481</u>	<u>(1,790)</u>

Restructuring costs in 2010/11 include £2,522,000 (2010 £1,653,000) redundancy costs as a result of organisational re-design

The £30,000,000 relates to the release of a portion of an outstanding inter-company loan to a fellow subsidiary undertaking Invensys International Holdings Limited. Invensys International Holdings Limited had agreed to release a portion of the amount owed to it by the Company

**9. INTEREST RECEIVABLE**

	2011 £000	2010 £000
Other interest receivable	<u>54</u>	<u>47</u>

**10 INTEREST PAYABLE**

	2011 £000	2010 £000
On finance leases and hire purchase contracts	28	40
On loans from group undertakings	1,181	1,177
	<u>1,209</u>	<u>1,217</u>

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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**11. TAXATION**

	2011 £000	2010 £000
<b>Analysis of tax charge/(credit) in the year</b>		
UK corporation tax charge on profit for the year	-	-
	<hr/>	<hr/>
Foreign tax on income for the year	26	(110)
	<hr/>	<hr/>
<b>Tax on profit on ordinary activities</b>	<b>26</b>	<b>(110)</b>
	<hr/>	<hr/>

**Factors affecting tax charge/(credit) for the year**

The UK corporation tax assessed for the year differs from the standard rate of corporation tax in the UK of 28% (2010 28%) The differences are explained below

	2011 £000	2010 £000
Profit on ordinary activities before tax	11,810	4,208
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2010 28%)	3,307	1,178
<b>Effects of:</b>		
(Income not taxable)/expenses not deductible for tax purposes	(7,927)	470
Overseas tax charge / (credit)	26	(110)
Other timing differences leading to an increase in taxation	1,270	21
UK to UK transfer pricing interest adjustment	(1,070)	(834)
Group relief surrender/(claim)	4,420	(835)
	<hr/>	<hr/>
<b>Current tax charge/(credit) for the year (see note above)</b>	<b>26</b>	<b>(110)</b>
	<hr/>	<hr/>

**Factors that may affect future tax charges**

As a UK resident Company in the Invensys plc Group the Company is eligible to surrender UK group relief to, or claim UK group relief from, other Invensys plc Group companies These claims and/or surrenders may be made with or without charge

Details of deferred tax not recognised can be found in Note 20

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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**12. DIVIDENDS**

	2011 £000	2010 £000
Ordinary - interim dividend paid	-	5,000

**13 INTANGIBLE FIXED ASSETS**

	Computer Software £000	Goodwill £000	Total £000
<b>Cost</b>			
At 1 April 2010	840	30,946	31,786
Additions	3,230	-	3,230
At 31 March 2011	4,070	30,946	35,016
<b>Amortisation</b>			
At 1 April 2010	36	18,977	19,013
Charge for the year	51	1,544	1,595
At 31 March 2011	87	20,521	20,608
<b>Net book value</b>			
At 31 March 2011	3,983	10,425	14,408
At 31 March 2010	804	11,969	12,773

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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**14. TANGIBLE FIXED ASSETS**

	Land and Buildings £000	Plant & machinery £000	Total £000
<b>Cost</b>			
At 1 April 2010	200	32,271	32,471
Additions	-	657	657
Disposals	-	(1,561)	(1,561)
At 31 March 2011	200	31,367	31,567
<b>Depreciation</b>			
At 1 April 2010	55	23,266	23,321
Charge for the year	4	2,672	2,676
On disposals	-	(1,533)	(1,533)
At 31 March 2011	59	24,405	24,464
<b>Net book value</b>			
At 31 March 2011	141	6,962	7,103
At 31 March 2010	145	9,005	9,150

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	2011 £000	2010 £000
Plant and machinery	217	344

The net book value of plant and machinery includes an amount of £217,000 (2010 £344,000) for assets held under capitalised finance leases in respect of which £127,000 (2010 £138,000) of depreciation was charged

The net book value of land and buildings at 31 March comprises

	2011 £000	2010 £000
Freehold	141	145



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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**15 FIXED ASSET INVESTMENTS**

	Investments in subsidiary companies £000
<b>Cost or valuation</b>	
At 1 April 2010 and 31 March 2011	38
<b>Net book value</b>	
At 31 March 2011	38
At 31 March 2010	38

**Subsidiary undertakings**

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
Invensys Rail Limited	Ordinary	100 %
Invensys Rail Projetos de Transporte Ltda	Ordinary	99.99 %

Name	Business	Country of incorporation
Invensys Rail Limited	Dormant	England & Wales
Invensys Rail Projetos de Transporte Ltda	Trading	Brazil

Invensys Rail Limited acts as an agent for Westinghouse Brake and Signal Holdings Limited

Both Invensys Rail Limited and Invensys Rail Projetos de Transporte Ltda are engaged in the business of signalling telecommunications and other systems and equipment for the operation, control, protection, supervision and management of or for use of or in connection with railways, railway trains, locomotives and rolling stock road and other vehicles and mobile machinery

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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**16. STOCKS**

	2011 £000	2010 £000
Raw materials	4,851	3,581
Work in progress	2,391	1,942
	<u>7,242</u>	<u>5,523</u>

The current replacement cost of stock does not differ materially from the historical cost stated above

**17. DEBTORS**

	2011 £000	2010 £000
<b>Due after more than one year</b>		
Other debtors	<u>4,380</u>	<u>6,456</u>
	2011 £000	2010 £000
<b>Due within one year</b>		
Trade debtors	7,895	9,183
Amounts owed by group undertakings	343,352	305,777
Other debtors	4,695	7,522
Prepayments and accrued income	2,380	2,719
Amounts recoverable on long term contracts	34,234	46,989
	<u>392,556</u>	<u>372,190</u>

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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**18. CREDITORS**

Amounts falling due within one year

	2011 £000	2010 £000
Payments received on account	20,969	31,305
Net obligations under finance leases and hire purchase contracts	428	470
Trade creditors	51,939	40,119
Amounts owed to group undertakings	356	1,407
Social security and other taxes	9,316	6,084
Other creditors	3,143	2,464
Accruals and deferred income	2,199	2,956
	<u>88,350</u>	<u>84,805</u>

Included within other creditors are outstanding amounts in respect of defined benefit schemes payable at the balance sheet date of £433,000 (2010 £458,000)

**19 CREDITORS**

Amounts falling due after more than one year

	2011 £000	2010 £000
Other creditors	<u>91</u>	<u>574</u>

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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**20. DEFERRED TAXATION**

Deferred tax assets not recognised in the balance sheet are as follows

	2011 £000	2010 £000
Accelerated capital allowance	(909)	(1,030)
Short term timing difference	(4,074)	(1,437)
Railway Pension Scheme deficit	(9,018)	(14,811)
Total	<u>(14,001)</u>	<u>(17,278)</u>

The deferred tax assets have not been recognised since there is no persuasive evidence that there will be suitable taxable profits against which the timing differences will reverse. It is likely that the assets will be recoverable once suitable taxable profits are generated.

The standard rate of UK corporation tax will reduce to 26% from 1 April 2011. Deferred tax not recognised has therefore been calculated using the standard rate of UK corporation tax of 26% (2010: 28%).

Further reductions to the standard rate are proposed to reduce the rate by a further 1% each 1 April thereafter until it reaches 23% with effect from 1 April 2014.

As this legislation was not substantively enacted by the balance sheet date it has not been reflected in these financial statements.

A reduction to the standard rate of UK corporation tax from 26% to 23% would reduce the deferred tax asset not recognised by £1,615,000.

There are no unprovided deferred tax liabilities.

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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**21. PROVISIONS**

	Warranties £000	Restructuring £000	Contract Loss £000	Total £000
At 1 April 2010	597	475	6,753	7,825
Additions	737	2,522	3,163	6,422
Amounts used	(508)	(2,962)	(10)	(3,480)
Amounts reversed	(210)	-	-	(210)
At 31 March 2011	<u>616</u>	<u>35</u>	<u>9,906</u>	<u>10,557</u>

**Warranties**

A provision of £616,000 has been recognised for warranty claims in respect of the estimated future cost of repairs or replacement for products sold. It is expected that these costs will be incurred in the short term and no later than within three years of the balance sheet date.

**Contract Loss**

A provision of £9,906,000 has been recognised for expected losses on long term contracts currently in progress. It is expected that the contracts will complete within five years of the balance sheet date.

**22. SHARE CAPITAL**

	2011 £000	2010 £000
Allotted, called up and fully paid		
42,656,544 Ordinary shares of £0.25 each	<u>10,664</u>	<u>10,664</u>

**23. RESERVES**

	Profit and loss account £000
At 1 April 2010	251,064
Profit for the year	11,784
Pension reserve movement	19,980
Share based payments movement	398
Other movements	(31)
At 31 March 2011	<u>283,195</u>

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## WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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#### 24 SHARE BASED PAYMENTS

The ultimate parent Company operates various share schemes under which options and awards have been granted and are outstanding as detailed below

##### Plans for senior employees

##### Executive share options

##### *Invensys 1998 Senior Executive Share Option Scheme*

##### Grant details

An executive share option scheme under which options have been granted to directors and senior executives at no cost. Options are exercisable between the third and tenth anniversary of the grant date at a price equal to the average middle market quoted price of the ultimate parent Company's shares over the five dealing days which precede the date of grant. Options are satisfied by the issue of new shares or in the case of awards granted as share appreciation rights, in cash.

##### Vesting requirements

##### *Performance requirements*

(a) for grants made prior to 25 July 2001, earnings per share (EPS) performance of RPI + 12% over a three year period to be applied each year until the earlier of when the condition is met or the measurement period the last financial year of which is the year preceding that in which the option will lapse,

(b) for grants made between 25 July 2001 and 16 June 2002 EPS of RPI + 12% in the three years after grant or EPS of RPI + 16% in the four years after grant or EPS of RPI + 20% in the five years after grant, failing which the option will lapse, and

(c) for grants made on 17 June 2002 and after, total shareholder return (TSR) performance against a peer group of the FTSE100 over a performance period of three, four or five years commencing on the date of grant. 40% will be exercisable if the median position is achieved, rising to 100% if upper quartile position is achieved. Between these two points the option will vest on a straight-line basis. If the performance condition is not met in full at the first measurement then it will be retested against the fixed base in years four and five. If the median position is not achieved by the end of the fifth year the option will lapse.

*Service requirements* the general rule is that the option will forfeit if the participant leaves employment, although options may be exercisable for a certain period of time in defined good leaver cases or with the consent of the Remuneration Committee.

##### Scheme use

No options were granted during the years ended 31 March 2011 or 31 March 2010. The ultimate parent Company can no longer make grants under this scheme as the scheme expired in July 2008.

## WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

#### 24. SHARE BASED PAYMENTS (continued)

Details of executive share options outstanding under this scheme are as follows.

	2011		2010	
	Number of share options	Weighted average exercise price (p)	Number of share options	Weighted average exercise price (p)
Outstanding at the beginning of the year	37,332	1,554.36	49,991	1,759.12
Transfer out to other Group Companies	(4,054)	1,307.31	-	-
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	(13,130)	2,009.74	(12,659)	2,231.64
Outstanding at the end of the year	20,148	1,307.31	37,332	1,554.36
Exercisable at the end of the year	20,148	1,307.31	37,332	1,554.36

Range of exercise prices for options outstanding at the end of the year

	Number of share options	Weighted average exercise price (p)	Weighted average remaining contractual life (years)
<b>2011</b>			
1,307.31p	20,148	1,307.31	0.2
<b>2010</b>			
1,307.31p to 2,601.17p	37,332	1,554.36	1.0

#### Long-term incentives

##### *Invensys 1998 Senior Executive Long Term Incentive Plan (LTIP)*

#### Grant details

A long-term incentive plan under which awards are granted to directors and senior executives at no (or nominal) cost. Depending on the country in which the participant is resident the award would be delivered using one of the following mechanisms: (a) a nominal price option award which is a right to acquire shares for a nominal payment (unless the ultimate parent Company determines otherwise), (b) a conditional share award, or (c) a cash award (granted in respect of a notional number of shares). Awards are normally subject to a three year performance period, commencing on the date of award, followed by a retention period. For awards granted prior to 22 July 2005 the retention period was two years, for awards made on or after 22 July 2005, 50% of any shares vesting on satisfaction of the performance requirements will be

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## WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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#### 24 SHARE BASED PAYMENTS (continued)

released at the end of the performance period with the other 50% being deferred for one year

Vesting requirements

*Performance requirements*

*TSR test*

TSR ranked against a peer group, selected at the discretion of the Remuneration Committee (with no retesting opportunities) TSR must rank at the median position (when the peer group is ranked in descending order of TSR) in order for 25% of the shares subject to the award to be available (subject to the retention period), rising to 100% of the shares if the upper decile position is achieved. Between these positions, the number of shares will be calculated on a straight-line basis. If at least the median position is not achieved the whole award will lapse. The peer groups selected for the relevant awards are as follows:

- awards granted prior to 22 July 2005: the companies that comprised the FTSE Mid 250 Index on the date of grant, and
- awards granted on or after 22 July 2005: ABB, Eaton, Emerson, GE, Honeywell, Johnson Controls, Rockwell, Schlumberger, Schneider, Siemens, Smiths Group and Yokogawa

*Overall performance test*

The Remuneration Committee must be satisfied that (a) for awards granted prior to 22 July 2005 there has been a sustained delivery over the performance period, regarding the trading performance of continuing operations, disposal proceeds and reduction in the Invensys Group indebtedness, (b) for awards granted on or after 22 July 2005 that two underpins have been met: (1) achievement of stretching internal free cash flow targets, and (2) efficient management of legacy liability items, and (c) for awards granted on or after 1 June 2006 that two underpin tests have been met:

(1) relating to the successful completion of the 2006 Refinancing and in addition that there has been a sustained improvement in the underlying financial performance of the Invensys Group, and

(2) efficient management of legacy liability items

*Service requirements*: the general rule is that the award will be forfeit if the participant leaves employment, although shares may be released subject to the satisfaction of the performance conditions in defined good leaver cases or with the consent of the Remuneration Committee.

*Scheme use*

No awards were granted under this scheme during the years ended 31 March 2011 or 31 March 2010. Given that no further awards could be granted under the LTIP after July 2008, a new share-based long-term incentive plan, known as the Invensys 2007 Long Term Incentive Plan, was established and approved by shareholders of the ultimate parent Company at the 2007 Annual General Meeting. Details of this new



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## WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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#### 24. SHARE BASED PAYMENTS (continued)

scheme are given below

Details of relevant LTIP awards outstanding during the year are as follows

	Number of awards 2011	Number of awards 2010
Outstanding at the beginning of the year	107,051	841,541
Granted during the year	-	-
Dividends during the year	65	2,307
Forfeited during the year	(27,874)	(6,975)
Vested during the year	(68,330)	(573,105)
Lapsed during the year	(10,912)	(156,717)
Outstanding at the end of the year	-	107,051

The weighted average share price at the date of vesting for the awards vested is £3.31 (2010 £2.71)

The LTIP awards outstanding at the end of the year have a weighted average remaining contractual life of n/a years (2010 0.3 years)

#### *Invensys 2007 Senior Executive Long Term Incentive Plan (2007 LTIP)*

##### Grant details

A long-term incentive plan under which awards are granted to directors and senior executives at no (or nominal) cost. Depending on the country in which the participant is resident the award would be delivered using one of the following mechanisms: (a) a nominal price option award which is a right to acquire shares for a nominal payment (unless the ultimate parent Company determines otherwise), (b) a conditional share award, or (c) a cash award (granted in respect of a notional number of shares). Awards are normally subject to a three year performance period, commencing on the date of award. There is no retention period.

##### Vesting requirements

##### *Performance requirements*

Awards will be subject to two independent performance conditions: (a) 35% of an award will be based on growth in the ultimate parent Company's TSR relative to the constituent companies of the Standard & Poor's Global 1200 Capital Goods Index, and (b) 35% will be based on the compound annual growth rate in the Invensys Group's Earnings Per Share. There are no performance conditions applying to the remaining 30% of an award. In addition, the Remuneration Committee retains discretion to ensure that, as a condition for vesting of shares, the underlying overall performance of the Invensys Group must be satisfactory.

*Service requirements* the general rule is that the award will forfeit if the participant leaves employment,

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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**24 SHARE BASED PAYMENTS (continued)**

although shares may be released subject to satisfaction of the performance conditions in defined good leaver cases

**Scheme use**

The 2007 LTIP is used as the ultimate parent Company's main share-based long term incentive plan under which share awards are granted. The first grants under this plan were made in the year ended 31 March 2008.

Grants made during the years ended 31 March 2011 and 31 March 2010 are detailed below

	LTIP awards granted 2011	LTIP awards granted 2010
Total number of awards granted	635,025	1,000,054
Weighted average fair value (p)	198.01	173.57
Exercise price	N/A	N/A
Expected volatility	46.3 %	N/A
Weighted average expected award life (years)	3.0	3.0
Expected dividend yield	1.32 %	0 %
Risk free interest rate	2.93 %	N/A

Details of relevant 2007 LTIP awards outstanding during the year are as follows

	Number of awards 2011	Number of awards 2010
Outstanding at the beginning of the year	1,656,147	861,754
Transferred (out to)/in from other Group companies	(249,944)	(49,414)
Granted during the year	635,025	1,000,054
Dividends during the year	9,420	105
Forfeited during the year	(235,412)	(156,352)
Vested during the year	(229,356)	-
Lapsed during the year	(157,052)	-
Outstanding at the end of the year	1,428,828	1,656,147

The weighted average share price at the date of vesting for the awards vested is £2.67 (2010 n/a)

The 2007 LTIP awards outstanding at the end of the year have a weighted average remaining contractual life of 1.5 years (2010 1.6 years)

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## WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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#### 24. SHARE BASED PAYMENTS (continued)

##### *Turnaround Bonus Overlay Plan (TBOP)*

###### Grant details

The ultimate parent Company introduced the Turnaround Bonus Overlay Plan (TBOP) in 2005/06 under which executives had the opportunity to receive a supplemental bonus of up to 100% of their base salary in respect of the relevant financial year to be paid in shares upon reaching specified target levels of performance. The TBOP operated in addition to the existing Executive Bonus Plan (EBP). Any bonuses earned under the TBOP (the Overlay Bonus) are payable in shares with 50% of the shares awarded being released following the first anniversary of those shares being awarded and the other 50% being released following the second anniversary.

###### Vesting requirements

*Performance requirements* the amount of the Overlay Bonus (which in turn determines the level of the award) is set by reference to the performance targets specified for the executive in the EBP.

*Service requirements* release of the shares is generally subject to continued employment at the relevant date although shares may be released early in defined good leaver cases or with the consent of the Remuneration Committee of the ultimate parent Company.

###### Scheme use

The first grant under the TBOP was made on 1 June 2006. It was originally anticipated that the TBOP would be operated up to and including the financial year 2007/08. However, as a result of the changes made to the annual incentive arrangements for 2007/08 onwards, the TBOP ceased to be operated one year early. The final awards under the TBOP were granted in the year ended 31 March 2008 in respect of the financial year 2006/07.

No grants were made in the year ended 31 March 2011 or 31 March 2010.

Details of relevant TBOP awards outstanding during the year ended 31 March 2010 are as follows:

	Number of awards 2010
Outstanding at the beginning of the year	74,916
Granted during the year	-
Forfeited during the year	-
Vested during the year	(74,916)
Lapsed during the year	-
Outstanding at the end of the year	-

The weighted average share price at the date of vesting for the awards vested is n/a (2010: £2.37).

The TBOP awards outstanding at the end of the year have a weighted average remaining contractual life of

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## WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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#### 24. SHARE BASED PAYMENTS (continued)

n/a years (2010 n/a years)

##### *Invensys Restricted Share Plan (RSP)*

###### Grant details

A restricted share plan whereby awards, to be satisfied by the transfer of existing issued shares or in cash, are granted to certain senior employees at no cost. The vesting period for awards is determined separately for each award. Vesting periods normally fall between one and three years.

###### Vesting requirements

*Performance requirements:* awards are not subject to a specific performance condition apart from continued employment throughout the vesting period and satisfactory personal performance.

*Service requirements:* the general rule is that the award will forfeit if the participant leaves employment, although shares may be released in defined good leaver cases or with the consent of the Remuneration Committee.

###### Scheme use

The plan is operated predominantly for senior executives in special circumstances, such as recruitment and retention situations.

Grants made during the years ended 31 March 2011 and 31 March 2010 are detailed below.

	RSP awards granted 2011	RSP awards granted 2010
Total number of awards granted	29,293	78,421
Weighted average fair value (p)	290.61	218.38
Weighted average exercise price	N/A	N/A
Expected volatility	N/A	N/A
Weighted average expected award life (years)	2.0	1.0
Expected dividend yield	0 %	0 %
Risk free interest rate	N/A	N/A

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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**24 SHARE BASED PAYMENTS (continued)**

Details of relevant RSP awards outstanding during the year are as follows

	Number of awards 2011	Number of awards 2010
Outstanding at the beginning of the year	99,026	230,475
Transferred out to other Group companies	1,439	-
Granted during the year	29,293	78,421
Dividends during the year	234	1,291
Vested during the year	(71,554)	(211,161)
Forfeited during the year	(27,706)	-
Outstanding at the end of the year	30,732	99,026

The weighted average share price at the date of vesting for the awards vested is £3.30 (2010 £2.67)

The RSP awards outstanding at the end of the year have a weighted average remaining contractual life of 2.0 years (2010 0.3 years)

***Deferred share plan (DSP)*****Grant details**

The DSP was introduced in 2007/08. Any bonus earned under the Executive Bonus Plan (EBP) in excess of target performance is paid in deferred shares under the DSP. The shares are released to the individual after two years. Any bonus earned up to the target performance level is paid in cash. All awards are satisfied by shares purchased in the market.

**Vesting requirements**

*Performance requirements* the amount of shares granted is set by reference to the performance targets specified for the executive in the EBP.

*Service requirements* save where a participant is dismissed for cause before the relevant release date, shares under award will be released to participants on the release date, unless the Remuneration Committee in its absolute discretion should decide on a different release date.

**Scheme use**

The first grant under the DSP was made on 24 July 2008. The DSP replaced the TBOP with effect from the financial year 2007/08 and is used to pay any bonus in excess of target performance earned by senior executives under the EBP.

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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**24. SHARE BASED PAYMENTS (continued)**

Grants made during the year ended 31 March 2010 are detailed below

	DSP awards granted in the year ended 31 March 2011	DSP awards granted in the year ended 31 March 2010
Total number of awards granted	-	73,232
Exercise price	-	-
Expected volatility	-	-
Weighted average expected award life (years)	-	2.0
Expected dividend yield	-	-
Risk free interest rate	-	-

Details of relevant DSP awards outstanding at during the year are as follows

	Number of awards 2011	Number of awards 2010
Outstanding at the beginning of the year.	130,879	95,862
Granted during the year	-	73,232
Dividends during the year	78	876
Vested during the year	(57,725)	(39,091)
Lapsed during the year	-	-
Outstanding at the end of the year	73,232	130,879

The weighted average share price at the date of vesting for the awards vested is £3.27 (2010: £3.27)

The DSP awards outstanding at the end of the year have a weighted average remaining contractual life of 0.2 years (2010: 0.8 years)

**All employee schemes*****Invensys Savings Related Share Option Scheme*****Grant details**

The Scheme operates in the UK, is based on a savings plan and is offered to eligible full and part-time employees. Options may be granted at up to a 20% discount to the market price of the ultimate parent Company's shares immediately preceding the date of invitation. The vesting period for the options is three years.

**Vesting requirements**

***Performance requirements*** the Scheme operates in the UK within specific tax legislation and is therefore

## WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

#### 24 SHARE BASED PAYMENTS (continued)

not subject to performance conditions other than that a participant is required to complete the savings contract in order to exercise their options

*Service requirements* the general rule is that the option will forfeit if the participant leaves employment, although options may be exercisable for a certain period of time in defined good leaver cases

#### Scheme use

The use of the scheme and potential future launches are reviewed on a regular basis. An invitation was offered under this scheme in the year ended 31 March 2010 and a further invitation will be extended to employees in 2011/12.

The options granted under this Scheme during the year ended 31 March 2010 are detailed below

	Options granted in the year ended 31 March 2011	Options granted in the year ended 31 March 2010
Total number of awards granted	-	934,450
Weighted average fair value (p)	-	68.70
Weighted average share price	-	-
Exercise price	-	-
Expected Volatility	-	31 %
Expected option life (years)	-	3.0
Expected dividend yield	-	1.0 %
Risk free interest rate	-	2.3 %

Details of relevant options outstanding during the year are as follows

	2011		2010	
	Number of share options	Weighted average exercise price (p)	Number of share options	Weighted average exercise price (p)
Outstanding at the beginning of the year	934,258	179.04	19,271	419.12
Granted during the year	-	-	934,450	175.00
Forfeited during the year	(11,508)	175.00	(6,884)	175.00
Exercised during the year	(7,464)	175.00	-	-
Lapsed during the year	(53,350)	245.78	(12,579)	248.81
Outstanding at the end of the year	861,936	175.00	934,258	179.04
Exercisable at the end of the year	-	-	-	-

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**WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2011**

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**24 SHARE BASED PAYMENTS (continued)**

The weighted average share price at the date of exercise for the options exercised is £3.09 (2010 n/a)

Range of exercise prices for options outstanding at the end of the year

	Number of Share Options	Weighted average exercise price (p)	Weighted average remaining contractual life (years)
<b>2011</b>			
175.00p	861,936	175.00	2.0
<b>2010</b>			
175.00p to 387.03p	934,258	179.04	2.9

**Measurement of fair value***Share awards*

An 'adjusted market value' method of valuation, based on market value at grant date and market-based performance conditions has been used to calculate the fair value of all share awards granted during the year.

*Share options*

The Black-Scholes option pricing model has been used to calculate the fair value of options granted during the year. These options were granted under savings related share option schemes for which vesting is not dependent on market conditions.

Expected volatility was based on both historical volatility of the ultimate parent Company's share price over the previous ten years and on the implied volatility of traded options of the ultimate parent Company's shares. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

**Share-based payment expense**

The Company recognised total expenses of £660,000 (2010 £1,290,000) related to equity-settled share-based payment transactions during the year.



# WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

### 25. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £000	2010 £000
Opening shareholders' funds	261,728	275,358
Profit for the year	11,784	4,318
Dividends (Note 12)	-	(5,000)
Other recognised gains and losses during the year	19,949	(13,125)
Share-based payments	398	177
Closing shareholders' funds	<u>293,859</u>	<u>261,728</u>

Other recognised gains/(losses) of £19,949,000 include actuarial gain of £19,980,000 (2010 loss of £13,125,000) and foreign exchange reserve movement of (£31,000) (2010 nil)

### 26 CAPITAL COMMITMENTS

At 31 March the Company had capital commitments as follows

	2011 £000	2010 £000
Contracted for but not provided in these financial statements	<u>1,122</u>	<u>1,660</u>

### 27 OPERATING LEASE COMMITMENTS

Operating leases

At 31 March the Company had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2011 £000	2010 £000	2011 £000	2010 £000
Expiry date:				
Within 1 year	332	776	74	74
Between 2 and 5 years	832	880	106	169
After more than 5 years	1,997	1,529	-	-
Total	<u>3,161</u>	<u>3,185</u>	<u>180</u>	<u>243</u>

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## WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

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#### 28. FINANCE LEASE COMMITMENTS

At 31 March future minimum payments under finance leases and similar hire purchase arrangements are as follows

	2011 £000	2010 £000
Amounts payable within one year	443	498
Amounts payable between two and five years	<u>94</u>	<u>593</u>
Total gross payments	537	1,091
Less finance charges included in above	<u>(18)</u>	<u>(47)</u>
Present value of finance lease obligations	<u>519</u>	<u>1,044</u>

#### 29. CONTINGENT LIABILITIES

Invensys plc, the Company's ultimate parent Company signed a £400 million multicurrency credit facility on 16 July 2008 for a five year term. Under the terms of this credit facility the Company has agreed to give guarantees in respect of bank loans and bonding facilities, together with other fellow subsidiaries of Invensys plc.

In accordance with provisions contained in the Value Added Tax Act 1983, the Company has entered into a joint and several guarantees for Group Registrations.

The Company has contingent liabilities arising in the ordinary course of business from which it is anticipated that the likelihood of any material liabilities arising is remote.

#### 30. POST BALANCE SHEET EVENTS

During April 2011, a Business Improvement Plan (BIP) was announced. The costs for this restructuring programme will be incurred during 2011/12 and the Company is expected to benefit from cost reductions in future periods as a result of this restructuring programme. As a result the net costs and benefits from this programme cannot be accurately calculated.

#### 31. RELATED PARTY TRANSACTIONS

As the Company is a wholly owned subsidiary undertaking of Invensys plc, a Company registered in England and Wales, which publishes consolidated accounts, the Company has pursuant to paragraph 17 of Financial Reporting Standard No. 8 Related Party Disclosures (FRS 8) not included details of transactions with other companies which are subsidiaries of Invensys plc. There are no other related party transactions.

#### 32. IMMEDIATE PARENT UNDERTAKING

The immediate parent undertaking of Westinghouse Brake and Signal Holdings Limited is Hawker Siddeley Management Limited, a Company registered in England and Wales.

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## **WESTINGHOUSE BRAKE AND SIGNAL HOLDINGS LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011**

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#### **33 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The ultimate parent undertaking of Westinghouse Brake and Signal Holdings Limited is Invensys plc, a Company registered in England and Wales. The only group preparing consolidated accounts which include Westinghouse Brake and Signal Holdings Limited is Invensys plc. Copies of the accounts of Invensys plc, can be obtained from the Group Secretarial Department, Invensys plc, 3rd Floor, 40 Grosvenor Place, London, SW1X 7AW.