

Company Registration No. 01381707 (England and Wales)

**CUBIC TRANSPORTATION SYSTEMS LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 30 SEPTEMBER 2014**

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# CUBIC TRANSPORTATION SYSTEMS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	J Edwards S Hampton S Shewmaker J Thomas P Van Campen J Hill (Appointed 1 January 2015)
<b>Secretary</b>	S Hampton
<b>Company number</b>	01381707
<b>Registered office</b>	AFC House Honeycrook Lane Salfords Redhill Surrey RH1 5LA
<b>Auditors</b>	Ernst & Young LLP 1 More London Place London SE1 2AF
<b>Bankers</b>	National Westminster Bank PLC Knightbridge Branch P O Box 6037 186 Brompton Road London SW3 1XJ

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# **CUBIC TRANSPORTATION SYSTEMS LIMITED**

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# CUBIC TRANSPORTATION SYSTEMS LIMITED

## STRATEGIC REPORT

***FOR THE YEAR ENDED 30 SEPTEMBER 2014***

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The directors present the strategic report and financial statements for the year ended 30 September 2014.

### **Review of the business**

A significant area of business for Cubic Transportation Systems Limited (the company) is the provision under the Future Ticketing Agreement of Transport for London's (TfL) Oyster® ticketing system (1), otherwise known as the PRESTIGE Project. From 1998 until inception of the Future Ticketing Agreement the company delivered the necessary capital equipment and back office processing solutions to Transaction Systems Limited (TranSys), the original PRESTIGE Project PFI vehicle. In August 2008, TfL notified TranSys that TfL would terminate the PRESTIGE fare collection system contract (and therefore the associated subcontract to the company) as of August 2010 in accordance with an early termination option in the contract. In November 2008, TfL directly awarded the company a replacement contract, called the Future Ticketing Agreement (FTA) continuing the services until August 2013. The new FTA contract, with an initial value of £170.9 million, includes all the operational services which existed previously, as well as laying the groundwork for future ticketing innovations such as contactless payment card ticketing. In March 2011 TfL entered into a further agreement in which the process of the FTA hand back was agreed. The hand back period would run from August 2013 to August 2015 with an initial value of £99.9 million. This hand back period has now commenced.

On the 28th March 2013 TfL issued an Official Journal of the European Union (OJEU) Procurement Notice for the provision of ticketing services beyond the end of the FTA in August 2015. The procurement was called "Project Electra". On the 29th July 2014 the company was awarded Project Electra. The term of the contract is for 7 years, with an option for an early "no fault" exit at the end of 5 years. The contract could be extended up to a further 3 years, at the discretion of TfL, giving the contract an expected total value of over £660 million.

During the year the company successfully deployed the Future Ticketing Project; which introduced contactless payment card payments throughout the whole of London's bus, Underground, Dockland's Light Rail, Overground, tram and most of London's National Rail. Also, we deployed ITSO ticketing across London's network. We also received an order from TfL to develop a brand new ticket vending machine which will be deployed across London during 2016.

In addition to its work with TfL, the company continues to enjoy success in its domestic markets contracting with franchisee Train Operating Companies and other UK based transport companies and authorities. Work in this market includes, but is not limited to, the supply and maintenance of fare collection gating and ticket booking office systems

The UK team continued to develop software to support the CTS Sydney team on the Opal Card project and testing was completed for the deployment of bus and rail system .

The UK team continued to develop software to support the CTS Sydney team on the Opal Card project. The bus and rail system pilots commenced during FY13 and full roll out during FY14.

1. Oyster® is the registered trade mark of Transport for London.

# CUBIC TRANSPORTATION SYSTEMS LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2014**

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### **Business risks**

The company prepares and presents financial statements based on a prudent assessment of risks inherent within its contracts; these include risks associated with schedule, quality and resources, which are common to works undertaken on a contract or project by project basis. A further risk faced by the company is the performance of software code on projects entering the testing phase of their schedules.

### **Competitive risk**

The nature of the industry is such that contracts are awarded through the process of competitive tender, which is inherently risky. However, the company considers that its exposure to competitive risk is low due to the strength of its reputation in the industry.

### **Financial instrument risks**

At the balance sheet date further risks included the strengthening (relative to Sterling) of currencies in which the company undertakes manufacturing for the purposes of supplying its fare collection systems.

### **Liquidity risks**

The company's strategy to managing liquidity risk is to ensure that the company has sufficient funds to meet all its actual and contingent liabilities as they fall due.

The company monitors the development, performance and position of the business using key performance indicators relating to turnover, operating profit as a percentage of turnover, and backlog: the accrued or realised sales value of contracted works.

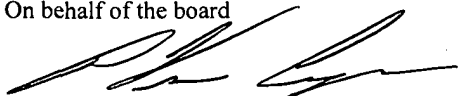
Turnover represents a key performance indicator for the value of work completed and progress made within the financial period. Turnover for the year ended 30 September 2014 was £146,502,000 which represents a decrease of 7.95% on the turnover for the year ended 30 September 2013 which was £159,162,000.

Operating profit as a percentage of turnover represents the return achieved on projects completed during the financial year, or a proportion of expected returns of long-term contracts progressed during the year. Operating profit as a percentage of turnover for the year ended 30 September 2014 was 41% versus 30% in the year ended 30 September 2013.

Backlog represents value to the company of work secured for future financial periods, and therefore together with turnover is a key performance indicator in respect of business growth and security. The value of the backlog at the balance sheet date is £527,550,000 versus a prior year backlog of £185,501,000. The increase in backlog stems mainly from the award of the Electra contract.

The company considers that it has performed and continues to perform satisfactorily in respect of its key performance indicators and the underlying backlog indicates that the company has a sound base of business as a platform for future periods.

On behalf of the board



P Van Campen

**Director**

25 June 2015

# CUBIC TRANSPORTATION SYSTEMS LIMITED

## DIRECTORS' REPORT

### *FOR THE YEAR ENDED 30 SEPTEMBER 2014*

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The directors present their report and financial statements for the year ended 30 September 2014.

#### **Results and dividends**

The results for the year are set out on page 8.

The profit for the year after taxation amounted to £50,741,000 (2013 - £38,023,000). The directors do not recommend a final dividend (2013 - £nil).

#### **Research and development**

The company continues to develop and enhance its products and systems, but normally on a contract-by-contract basis.

#### **Post balance sheet events**

On 30 March 2015 the company entered into an assignment agreement with its subsidiary, Cubic Transportation Systems Technologies Holding Company (CTSTH) by which CTSTH would transfer its holding of the NextCity intellectual property to the company for a consideration of \$12,400,000. Liquidation proceedings for the subsidiary commenced on 18 June 2015.

#### **Future developments**

In the future the company aims to continue to build upon its successful and long association with Transport for London (TfL), through completing current and future projects and in working alongside TfL to enable it to achieve timely expansion and improvements to its revenue collection systems.

The company is also focussed on the successful completion of other backlog projects in the UK and Europe and fully intends to be a leading contractor in the development and implementation of other transit based smartcard schemes, through the use of a variety of fare/payment options, including contactless "open payment" (bankcard) cards, NFC smart phones, and 2D bar coded mobile tickets.

Advances in communications, networking and security technologies are enabling interoperability of multiple modes of transportation within a single networked system, as well as interoperability of multiple transit operators within a single networked system. Recent transit agency procurements for open payment fare systems will extend the acceptance of payment media from transit smart cards, to contactless bank cards and Near Field Communication (NFC) enabled smart phones.

There is also an emerging trend for other applications to be added to these regional systems to expand the utility of the transit payment media, offering higher value and incentives to the end users, and lowering costs and creating new revenue streams for the regional system operators. As a result, these regional systems have created opportunities for new levels of systems support and services including customer support call centre and web support services, smart card production and distribution, financial clearing and settlement, retail merchant network management, and software application support. In some cases, operators are choosing to outsource the on-going operations and commercialisation of these regional ticketing systems. This growing new market provides the opportunity to establish lasting relationships and grow revenues and profits over the long-term.

The company's overall strategy is to focus on the successful completion of all backlog projects in the UK and Europe and fully intends to be a leading contractor in the development and implementation of integrated transportation information systems.

# **CUBIC TRANSPORTATION SYSTEMS LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 30 SEPTEMBER 2014***

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### **Directors**

The following directors have held office since 1 October 2013:

R Crow	(Resigned 1 January 2015)
J Edwards	
S Hampton	
S Shewmaker	
J Thomas	
P Van Campen	
J Hill	(Appointed 1 January 2015)

### **Employee involvement**

Consultative procedures enable management and employees to discuss matters of mutual interest, including health and safety. Through these procedures, department channels, notice boards and the operation of a suggestion scheme, employees are kept involved with company affairs.

In addition, the company receives feedback through the Joint Consultative Committee, which meets regularly and is made up of staff members and representatives of the company's management team.

### **Disabled persons**

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

### **Auditors**

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic Report, 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 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;
- 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.

# CUBIC TRANSPORTATION SYSTEMS LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2014**

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### Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

### Going Concern

No material uncertainties that cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors. The company's business activities, together with any factors likely to affect its future development and position, are set out in the Review of the Business section above. The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Cubic Corporation, the company's directors have a reasonable expectation that the company will be able 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.

### Tax

The company seeks to responsibly manage its UK taxation obligations and to comply with applicable tax laws and regulations. The company aims to build effective working relationships with the UK tax authorities by fully cooperating in an open, constructive and timely manner, seeking advance agreement with the tax authorities where possible. We fully support the principle of transparency in our tax affairs and have sought to provide additional information on tax sensitive areas within these Accounts.

On behalf of the board



P Van Campen

**Director**

25 June 2015



## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF CUBIC TRANSPORTATION SYSTEMS LIMITED**

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We have audited the financial statements of Cubic Transportation Systems Limited for the year ended 30 September 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 25.

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 auditors' 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 auditors**

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 - 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 30 September 2014 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

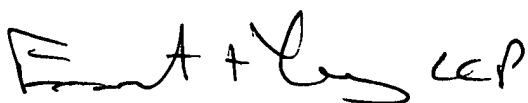
### **TO THE MEMBERS OF CUBIC TRANSPORTATION SYSTEMS LIMITED**

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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 Gordon (Senior Statutory Auditor)**  
**for and on behalf of Ernst & Young LLP**

25 June 2015

**Statutory Auditor**

1 More London Place  
London  
SE1 2AF

# CUBIC TRANSPORTATION SYSTEMS LIMITED

## PROFIT AND LOSS ACCOUNT

**FOR THE YEAR ENDED 30 SEPTEMBER 2014**

	Notes	2014 £'000	2013 £'000
<b>Turnover</b>	<b>1</b>	146,502	159,162
Cost of sales		(56,029)	(78,564)
<b>Gross profit</b>		90,473	80,598
Administrative expenses		(29,963)	(33,010)
<b>Operating profit</b>	<b>11</b>	60,510	47,588
Interest from group undertakings	<b>4</b>	2,181	899
Other interest receivable and similar income	<b>4</b>	2,088	1,434
Interest payable and similar charges	<b>7</b>	(2)	(92)
<b>Profit on ordinary activities before taxation</b>		64,777	49,829
Tax on profit on ordinary activities	<b>13</b>	(14,036)	(11,806)
<b>Profit for the year</b>	<b>23</b>	50,741	38,023

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# CUBIC TRANSPORTATION SYSTEMS LIMITED

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

**FOR THE YEAR ENDED 30 SEPTEMBER 2014**

	Notes	2014 £'000	2013 £'000
<b>Profit for the financial year</b>		50,741	38,023
Actuarial loss on pension scheme		(406)	(154)
Movement on deferred tax relating to pension asset		81	31
		<u>50,416</u>	<u>37,900</u>
Currency translation differences on foreign currency net investments		(291)	213
<b>Total recognised gains and losses relating to the year</b>		<u>50,125</u>	<u>38,113</u>
Prior year adjustment	23	-	5,247
<b>Total gains and losses recognised since last financial statements</b>		<u><u>50,125</u></u>	<u><u>43,360</u></u>

# CUBIC TRANSPORTATION SYSTEMS LIMITED

## BALANCE SHEET

AS AT 30 SEPTEMBER 2014

	Notes	2014 £'000	2013 £'000
<b>Fixed assets</b>			
Tangible assets	6	5,261	5,519
Investments	8	7,113	5,875
		<u>12,374</u>	<u>11,394</u>
<b>Current assets</b>			
Stocks	9	4,767	3,176
Debtors	10	90,724	60,933
Cash at bank and in hand		120,686	143,489
		<u>216,177</u>	<u>207,598</u>
<b>Creditors: amounts falling due within one year</b>	12	(28,914)	(45,322)
<b>Net current assets</b>		<u>187,263</u>	<u>162,276</u>
<b>Total assets less current liabilities</b>		<u>199,637</u>	<u>173,670</u>
<b>Creditors: amounts falling due after more than one year</b>	14	(1,127)	(1,473)
		<u>198,510</u>	<u>172,197</u>
<b>Retirement benefit obligations</b>	24	(2,576)	(5,435)
		<u>195,934</u>	<u>166,762</u>
<b>Capital and reserves</b>			
Called up share capital	22	200	200
Profit and loss account	23	195,734	166,562
<b>Shareholders' funds</b>	15	<u>195,934</u>	<u>166,762</u>

Approved by the Board and authorised for issue on 25 June 2015



P Van Campen  
Director

Company Registration No. 01381707

# CUBIC TRANSPORTATION SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

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### 1 Turnover

#### Geographical market

	Turnover	
	2014	2013
	£'000	£'000
United Kingdom	139,202	148,278
Europe	4,882	5,538
Rest of world	2,418	5,346
	<hr/>	<hr/>
	146,502	159,162
	<hr/>	<hr/>

Turnover is attributable to the supply of automatic revenue collection, communication, security and surveillance systems. An analysis of turnover by geographical market is given above.

### 2 Accounting policies

#### 2.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption available under FRS1 not to prepare a statement of cash flows.

#### 2.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

# CUBIC TRANSPORTATION SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2014**

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### 2 Accounting policies

(Continued)

#### 2.3 Turnover and profits

Turnover, which excludes value added tax, includes sales to third parties; and in respect of long term contracts in progress, comprises the value of work performed during the period calculated in accordance with the Cubic Corporation's policy for contract accounting as set out below.

##### Revenue Recognition and Contract Accounting

The company recognises sales and profits under our long-term fixed-price contracts, which generally require a significant amount of development effort in relation to total contract value, using the cost-to-cost percentage-of-completion method of accounting. The company records sales and profits based on the ratio of contract costs incurred to estimated total contract costs at completion. Contract costs include material, labour and subcontracting costs. Costs are recognised as incurred for contracts accounted for under the cost-to-cost percentage-of-completion method.

For long-term fixed price contracts, the company only includes amounts representing contract change orders, claims or other items in the contract value when they can be reliably estimated and the company considers realisation probable. Changes in estimates of sales, costs and profits are recognised using the cumulative catch-up method of accounting. This method recognises in the current period the cumulative effect of the changes on current and prior periods. A significant change in one or more of these estimates could have a material effect on our financial position or results of operations.

The company records sales under cost-reimbursement-type contracts as it incurs the costs.

Revenue under contracts for services and those associated with design, development, or production activities is recognised either as services are performed or when a contractually required event has occurred, depending on the contract. For such contracts that contain measurable units of work performed the company recognised sales when the units of work are completed. For service contracts that contain service level or system usage incentives, we recognise revenues when the incentive award is fixed and determinable. Revenue under such contracts that do not contain measurable units of work performed, which is generally the case for our service contracts, is recognised on a straight-line basis over the contractual service period, unless evidence suggests that the revenue is earned, or obligations fulfilled, in a different manner. Costs incurred under these services contracts are expensed as incurred.

The company makes provisions in the current period to fully recognise any anticipated losses on contracts. If it receives cash on a contract prior to revenue recognition or in excess of inventoried costs, it classifies it as a customer advance on the balance sheet.

#### 2.4 Patents

Patents are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives.

#### 2.5 Research and development

Expenditure on research and development is written off in the year in which it is incurred.

#### 2.6 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold land and buildings	over 25 years
Short leasehold property	over the lease term
Plant, fixtures and fittings	over 3 to 10 years
Motor vehicles	over 4 years

#### 2.7 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### 2.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

# CUBIC TRANSPORTATION SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2014**

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### 2 Accounting policies

(Continued)

#### 2.9 Stock

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Cost incurred in bringing each product to its present location and condition:

Raw materials and goods for resale	-	purchase cost on average cost basis.
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

#### 2.10 Long term contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

#### 2.11 Pensions

The Company operates a defined contribution pension scheme on behalf of its employees with effect from 1 October 2010. The charge for pension costs in the year represents the contributions payable to the pension scheme in respect of the accounting period.

##### *Defined Benefit Scheme*

The company has adopted FRS 17 (Revised) "Retirement Benefits". The impact on the balance sheet and profit and loss account is not material. Additional disclosures are made in note 18.

Pension liabilities are measured at the present value in accordance with actuarial assumptions that are updated at each balance sheet date. The net pension liability or asset, after deferred tax, is recognised in the balance sheet.

Pension costs for the company's defined benefit scheme are recognised as follows:

- (a) Within operating profit
  - The current service cost arising from employee service in the current period;
  - The prior year service cost related to employee service in prior periods arising in the current period as a result of improvements to benefits and;
  - Gains and losses arising on unanticipated settlements or curtailments where the item that gave rise to the settlement or curtailment is recognised within operating profit.
- (b) Within interest payable/receivable
  - The interest cost on the liabilities, calculated by reference to the scheme liabilities and discount rate at the beginning of the period and allowing for changes during the period; and
  - The expected return on assets, calculated by reference to the assets and their long-term expected rate of return at the beginning of the period and allowing for changes during the period.
- (c) Within the statement of total recognised gains and losses
  - On the scheme assets - the difference between the expected and actual return on assets; and
  - On the scheme liabilities - (a) the differences between the actuarial assumptions and actual experience, and (b) the effect of changes in actuarial assumptions.



# CUBIC TRANSPORTATION SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2014**

### 2 Accounting policies

(Continued)

#### 2.12 Deferred taxation

Deferred taxation 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, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax 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 from which the future reversal of the underlying timing differences can be deducted.

Deferred 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.

#### 2.13 Foreign currency translation

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities at the balance sheet date are translated at year-end rates of exchange or where appropriate at the rates of exchange fixed under the terms of the relevant transactions. All exchange differences thus arising are taken to the profit and loss account.

The financial statements of the overseas branch are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves.

#### 2.14 Group accounts

Group financial statements have not been prepared as the company has taken advantage of the exemption available to it under section 401 of the Companies Act 2006 not to prepare group financial statements.

### 3 Dividends

	2014 £'000	2013 £'000
Ordinary interim paid 27 December 2013	14,452	-
Ordinary interim paid 29 September 2014	6,500	-
	<u>20,952</u>	<u>-</u>

# CUBIC TRANSPORTATION SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2014**

4	Interest income	2014	2013
		£'000	£'000
	Interest from group undertakings	2,181	899
	Bank interest	422	339
	Other finance interest (note 24)	1,666	1,095
		<u>4,269</u>	<u>2,333</u>
5	Intangible fixed assets	Patents	
		£'000	
	<b>Cost</b>		
	At 1 October 2013 & at 30 September 2014		4,528
			<u>4,528</u>
	<b>Amortisation</b>		
	At 1 October 2013 & at 30 September 2014		4,528
			<u>4,528</u>
	<b>Net book value</b>		
	At 30 September 2014		-
			<u>-</u>
	At 30 September 2013		-
			<u>-</u>

# CUBIC TRANSPORTATION SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

### 6 Tangible fixed assets

	Freehold land and buildings £'000	Short leasehold property £'000	Plant, fixtures and fittings £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
At 1 October 2013	7,376	938	2,527	5	10,846
Additions	55	-	197	-	252
Disposals	-	-	(63)	-	(63)
At 30 September 2014	7,431	938	2,661	5	11,035
<b>Depreciation</b>					
At 1 October 2013	2,556	809	1,957	5	5,327
On disposals	-	-	(63)	-	(63)
Charge for the year	247	51	212	-	510
At 30 September 2014	2,803	860	2,106	5	5,774
<b>Net book value</b>					
At 30 September 2014	4,628	78	555	-	5,261
At 30 September 2013	4,820	129	570	-	5,519

### 7 Interest payable

	2014 £'000	2013 £'000
On amounts payable to group companies	(3)	1
On bank loans and overdrafts	-	87
Other interest	5	4
	2	92

# CUBIC TRANSPORTATION SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

### 8 Fixed asset investments

	Shares in subsidiary undertakings £'000
<b>Cost</b>	
At 1 October 2013	5,875
Additions	1,238
	<hr/>
At 30 September 2014	7,113
	<hr/>
<b>Net book value</b>	
At 30 September 2014	7,113
	<hr/>
At 30 September 2013	5,875
	<hr/>

#### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held	%
<b>Subsidiary undertakings</b>				
Cubic Transportation Systems Nordic AS	Norway	Ordinary		100.00
Cubic Transportation Systems Nordic AB	Sweden	Ordinary		100.00
Cubic Transportation Systems Technologies Holding Company	Cayman Islands	Ordinary		100.00
Cubic Transportation Systems Singapore PTE Ltd	Singapore	Ordinary		100.00

During the year the company purchased additional share capital of Cubic Transportation Systems Technologies Holding Company for a consideration of £1,238,007 (\$2m) following a shareholder's resolution to increase share capital. The company continues to hold 100% of the issued share capital.

9 Stocks	2014 £'000	2013 £'000
Long term contract balances:		
- Net cost less foreseeable losses	4,766	2,999
Finished goods and goods for resale	1	177
	<hr/>	<hr/>
	4,767	3,176
	<hr/>	<hr/>

# CUBIC TRANSPORTATION SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2014**

<b>10 Debtors</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
Trade debtors	3,871	3,870
Amounts recoverable on long term contracts	14,042	15,260
Amounts owed by parent and fellow subsidiary undertakings	71,191	38,005
Other debtors	935	2,628
Prepayments and accrued income	685	1,069
Deferred tax asset	-	101
	<u>90,724</u>	<u>60,933</u>
<b>11 Operating profit</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
Operating profit is stated after charging:		
Depreciation of tangible assets	510	437
Loss on foreign exchange transactions	-	56
Research and development	610	1
Operating lease rentals		
- Plant and machinery	107	417
- Other assets	1,022	528
Fees payable to the company's auditor for the audit of the company's annual accounts	310	198
and after crediting:		
Profit on foreign exchange transactions	(304)	-
	<u></u>	<u></u>
<b>12 Creditors: amounts falling due within one year</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
Bank loans and overdrafts	347	347
Payments received on account	9,967	19,871
Trade creditors	3,467	4,687
Amounts owed to parent and fellow subsidiary undertakings	(1,030)	1,998
Corporation tax	6,963	7,926
Other taxes and social security costs	1,810	4,258
Other creditors	1,029	1,140
Accruals and deferred income	6,361	5,095
	<u>28,914</u>	<u>45,322</u>

# CUBIC TRANSPORTATION SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 SEPTEMBER 2014

13 Taxation	2014 £'000	2013 £'000
<b>Domestic current year tax</b>		
U.K. corporation tax	13,285	10,752
Adjustment for prior years	(84)	(43)
Double taxation relief	(180)	(123)
	<u>13,021</u>	<u>10,586</u>
<b>Foreign corporation tax</b>		
Foreign corporation tax	183	123
	<u>13,204</u>	<u>10,709</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	72	41
Pension scheme timing differences	783	1,077
Effects of changes in tax rates and laws	(7)	18
Deferred tax adjustments arising in previous periods	(16)	(39)
	<u>832</u>	<u>1,097</u>
	<u>14,036</u>	<u>11,806</u>
<b>Factors affecting the tax charge for the year</b>		
Profit on ordinary activities before taxation	<u>64,777</u>	<u>49,829</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 22.00% (2013 - 23.50%)	<u>14,251</u>	<u>11,710</u>
Effects of:		
Disallowable expenses and non-taxable income	(87)	(112)
Depreciation in excess of capital allowances	(18)	(1)
Foreign tax suffered	3	-
Adjustments to previous periods	(83)	(43)
Pension scheme timing differences	(862)	(845)
	<u>(1,047)</u>	<u>(1,001)</u>
<b>Current tax charge for the year</b>	<u>13,204</u>	<u>10,709</u>

Deferred tax has not been recognised in respect of timing differences relating to capital gain carried forward as there is insufficient evidence that the asset would be recovered. The amount of the asset not recognised is £198,311 (2013: £218,143). The asset may be recovered if sufficient capital gains are realised in future periods to offset the losses.

# CUBIC TRANSPORTATION SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2014**

### Factors that may affect future tax charges

The Finance Act 2013 provided for a reduction in the main rate of corporation tax from 23% to 21% effective from 1 April 2014 and to 20% effective from 1 April 2015. As it was enacted at the balance sheet date, this rate reduction is reflected in these financial statements in accordance with FRS12.

<b>14 Creditors: amounts falling due after more than one year</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
Bank loans	1,127	1,473
	<u>1,127</u>	<u>1,473</u>
<b>Analysis of loans</b>		
Not wholly repayable within five years by instalments:		
Bank loan of £5,200,000 at 6.4825% fixed interest per annum, repayable in quarterly instalments commencing 2 December 2003	1,474	1,820
	<u>1,474</u>	<u>1,820</u>
Included in current liabilities	(347)	(347)
	<u>1,127</u>	<u>1,473</u>
	<u>1,127</u>	<u>1,473</u>
Instalments not due within five years	-	86
	<u>-</u>	<u>86</u>
	<u>-</u>	<u>86</u>
<b>Loan maturity analysis</b>		
In more than one year but not more than two years	347	347
In more than two years but not more than five years	780	1,040
In more than five years	-	86
	<u>347</u>	<u>1,473</u>
	<u>347</u>	<u>1,473</u>

A long term bank loan has been secured by guarantee of the parent undertaking, Cubic Corporation, with Barclays Bank PLC. This is also secured by way of a charge over the company's principal offices. The amount secured is £5,200,000 repayable in quarterly instalments by 3 December 2018.

The original bank loan was £5,200,000 and has interest of 6.4825% fixed per annum, repayable in quarterly instalments. The first repayment was 2 December 2003.

# CUBIC TRANSPORTATION SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2014**

<b>15 Reconciliation of movements in Shareholders' funds</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
Profit for the financial year	50,741	38,023
Dividends	(20,952)	-
	<u>29,789</u>	<u>38,023</u>
Other recognised gains and losses	(697)	59
Movement on deferred tax relating to pension asset	81	31
	<u>29,173</u>	<u>38,113</u>
Net addition to shareholders' funds	166,762	128,649
Opening Shareholders' funds		
	<u>195,935</u>	<u>166,762</u>
Closing Shareholders' funds		

## **16 Contingent liabilities**

There were contingent liabilities (including bank, guarantees, uninsured performance bonds and similar obligations) of £1,629,646 at the year end (2013: £6,800,011).

This is made up of outstanding guarantees of £500,000 (these have no fixed expiry date) and bid guarantees of £1,129,646 (of which £194,767 has no fixed expiry date and £934,879 has an expiry date of 8th December 2014). The guarantees with no fixed expiry date are nonetheless to be discharged against certain events in the performance of contracts having been met.

## **17 Financial commitments**

At 30 September 2014 the company was committed to making the following payments under non-cancellable operating leases in the year to 30 September 2015:

	<b>Land and buildings</b>		<b>Other</b>	
	<b>2014 £'000</b>	<b>2013 £'000</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
Operating leases which expire:				
Within one year	204	44	152	54
Between two and five years	412	402	246	296
	<u>616</u>	<u>446</u>	<u>398</u>	<u>350</u>



# CUBIC TRANSPORTATION SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2014**

<b>18 Directors' remuneration</b>	<b>2014 £'000</b>	<b>2013 £'000</b>
Remuneration for qualifying services	1,086	1,224
Company pension contributions to defined contribution schemes	34	36
Compensation for loss of office	-	36
	<u>1,120</u>	<u>1,296</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2013 - 4).

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 2 (2013 - 3).

The number of directors who are entitled to receive shares under long term incentive schemes during the year was 3 (2013 - 0).

The remuneration of S Hampton, P Van Campen and R Crow are included above. The remuneration of S Shewmaker is also included in the above disclosures but has been borne by the ultimate parent undertaking, Cubic Corporation. The remaining directors are not remunerated by the company and do not spend a significant portion of their time providing qualifying services to the company, and so no disclosure is made in these financial statements.

## **19 Employees**

### **Number of employees**

The average monthly number of employees (including directors) during the year was:

	<b>2014 Number</b>	<b>2013 Number</b>
Direct	597	568
Indirect	77	93
	<u>674</u>	<u>661</u>

### **Employment costs**

	<b>2014 £'000</b>	<b>2013 £'000</b>
Wages and salaries	28,624	26,955
Social security costs	3,195	3,000
Other pension costs	1,951	1,501
	<u>33,770</u>	<u>31,456</u>

# CUBIC TRANSPORTATION SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2014**

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### 20 Control

The company's immediate parent undertaking is Cubic (UK) Limited, a company incorporated in England and Wales. The company's ultimate parent undertaking and controlling party is Cubic Corporation, which is a company incorporated in the United States of America.

Cubic Corporation is both the smallest and largest group in which the results of Cubic Transportation Systems Limited are consolidated. Copies of the group financial statements of Cubic Corporation are available from AFC House, Honeycrock Lane, Salfords, Redhill, Surrey RH1 5LA.

### 21 Post balance sheet events

On 30 March 2015 the company entered into an assignment agreement with its subsidiary, Cubic Transportation Systems Technologies Holding Company (CTSTH) by which CTSTH would transfer its holding of the NextCity intellectual property to the company for a consideration of \$12,400,000. Liquidation proceedings for the subsidiary commenced on 18 June 2015.

### 22 Share capital

	2014	2013
	£'000	£'000
<b>Allotted, called up and fully paid</b>		
200,000 Ordinary shares of £1 each	200	200
	<u>200</u>	<u>200</u>

### 23 Statement of movements on profit and loss account

	Profit and loss account £'000
Balance at 1 October 2013	166,562
Profit for the year	50,741
Foreign currency translation differences	(291)
Dividends paid	(20,952)
Actuarial gains or losses on pension scheme assets	(406)
Movement on deferred tax relating to pension asset	81
Balance at 30 September 2014	<u>195,734</u>

# CUBIC TRANSPORTATION SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2014**

### 24 Pension and other post-retirement benefit commitments

#### Defined contribution

	2014 £'000	2013 £'000
Contributions payable by the company for the year	1,599	1,235

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	2014 £'000	2013 £'000
Present value of funded obligations	64,843	62,476
Fair value of plan assets	(61,559)	(55,682)
	3,284	6,794
Related deferred tax asset	(708)	(1,359)
Net liability	2,576	5,435

The company operates a defined benefit pension scheme. The most recent full actuarial valuation was on and updated on by a qualified independent actuary.

The amounts recognised in the profit and loss are as follows:

	Defined benefit pension plans	
	2014 £'000	2013 £'000
<b>Included in operating profit</b>		
Past service cost	(970)	(752)
	(970)	(752)
<b>Included in other finance costs</b>		
Interest on obligation	2,853	2,508
Expected return on pension scheme assets	(3,549)	(2,851)
	(696)	(343)
Total	(1,666)	(1,095)
Actual return on plan assets	4,544	8,133

# CUBIC TRANSPORTATION SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2014**

### 24 Pension and other post-retirement benefit commitments

(Continued)

#### Analysis of amount recognised in the statement of total recognised gains and losses:

	Defined benefit pension plans	
	2014	2013
	£'000	£'000
Actual return less expected return on pension scheme assets	995	5,282
Experience gains and losses arising on scheme liabilities	-	425
Changes in assumptions underlying the present value of scheme liabilities	(1,401)	(5,861)
	<u>(406)</u>	<u>(154)</u>

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

	Defined benefit pension plans	
	2014	2013
	£'000	£'000
Opening defined benefit obligation	62,476	56,185
Interest cost	2,853	2,508
Past service cost	(970)	(752)
Actuarial losses (gains)	-	(425)
Benefits paid	(917)	(901)
Other movements	1,401	5,861
Total	<u>64,843</u>	<u>62,476</u>

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

	Defined benefit pension plans	
	2014	2013
	£'000	£'000
Opening fair value of plan assets	55,682	45,950
Expected return	3,549	2,851
Actuarial gains	995	5,282
Contributions by employer	2,250	2,500
Benefits paid	(917)	(901)
	<u>61,559</u>	<u>55,682</u>
	<u>2014</u>	<u>2013</u>
	%	%
Equities	40	49
Bonds	10	10

# CUBIC TRANSPORTATION SYSTEMS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 30 SEPTEMBER 2014**

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**24 Pension and other post-retirement benefit commitments** **(Continued)**

Other assets	49	40
	<u>          </u>	<u>          </u>

**Principal actuarial assumptions at the balance sheet date:**

	<b>2014</b>	<b>2013</b>
	<b>years</b>	<b>years</b>
Life expectancy of male age 65 at accounting date		
Males	22.40	22.30
Life expectancy of male age 65 twenty years after accounting date		
Males	24.10	24.10

# **CUBIC TRANSPORTATION SYSTEMS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

***FOR THE YEAR ENDED 30 SEPTEMBER 2014***

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### **25 Related party relationships and transactions**

As 100% of the company's voting rights are controlled within the Cubic Corporation Group, the company is not required to disclose transactions with other group undertakings or associate companies.

The company has not transacted with any other related parties during the year.