

Registered number: 01841352

Faiveley Transport Birkenhead Limited

Annual report and financial statements

For the Year Ended 31 March 2016

FRIDAY



A5KZLY4X

A30

02/12/2016

#267

COMPANIES HOUSE

Faiveley Transport Birkenhead Limited

Contents

	Page(s)
Company information page	1
Strategic report for the year ended 31 March 2016	2 - 3
Directors' report for the year ended 31 March 2016	4 - 5
Directors' responsibilities statement for the year ended 31 March 2016	6
Independent auditors' report to the members of Faiveley Transport Birkenhead Limited	7 - 8
Statement of comprehensive income for the year ended 31 March 2016	9
Statement of financial position as at 31 March 2016	10
Statement of changes in equity as at 31 March 2016	11
Notes to the financial statements for the year ended 31 March 2016	12 - 41

Faiveley Transport Birkenhead Limited
--

Company Information

Directors	L Leroux X De Lavallade I S Dolman W Costigan S Charlesworth A Vidal (appointed 4 January 2016) G Bouhours (resigned 4 January 2016)
Company secretary	W Costigan
Registered number	01841352
Registered office	Morpeth Wharf Twelve Quays Birkenhead Wirral CH41 1LF
Independent Auditors	PricewaterhouseCoopers LLP 8 Princes Parade St Nicholas Place Liverpool L3 1QJ

Faiveley Transport Birkenhead Limited

**Strategic report
for the year ended 31 March 2016**

Introduction

The directors present their strategic report on the company for the year ended 31 March 2016.

The strategy of the company is to continue to be one of the leading companies serving the needs of the UK and Ireland rail rolling stock industry, by installing, overhauling, repairing and servicing train components.

Business review and future developments

The directors are satisfied with the operating results and anticipate sustainable results in the future. The company's profit for the financial year is £2.4 million (2015 £2.5 million), which will be transferred to reserves.

The directors anticipate that economic conditions will remain challenging in 2017, particularly for the freight sector. The order book as at the end of March 2016 is 28% below the previous year.

The company is involved in the Faiveley Worldwide Excellence programme (FWE), a four year global programme which focuses on internal industrial performance, efficiency, processes and customer on time delivery which are all of particular importance in support of the company's strategy.

The company continues to be on target with its strategic plans for sustained growth in the customer services (CS) market, however the directors anticipate that turnover will plateau in the year to March 2017. In response to this the directors have opened a London facility to target further growth.

During 2015 the Faiveley Group entered into exclusive negotiations with the Wabtec Corporation with a view to Wabtec purchasing the Faiveley Group. This sale is going ahead and is expected to be completed by early December 2016.

On 23rd June 2016 a referendum was held in the United Kingdom and the result of the vote was that the United Kingdom would leave the European Union. At the time of signing these statutory accounts details of how and when the United Kingdom will leave the European Union are unclear and it is therefore not possible to estimate its impact on the company.

Faiveley Transport Birkenhead Limited

Strategic report (continued)
For the Year Ended 31 March 2016

Principal risks and uncertainties

Business environment

The customer services market in the UK is highly competitive. To manage the risk of losing customers to key competitors the company has, and will continue to be, focused on the provision of added value services, improving on time delivery and handling of customer queries by maintaining strong relationships and local representation with key customers.

Financial risk management

The process of risk management is addressed through a framework of policies, procedures and internal controls, and the company's risk profile is regularly reviewed by the directors and senior managers

Credit risk

The only significant credit risk is attributable to the company's trade debtors. Credit checks are run on new customers, and cash collections are monitored on a regular basis against contractual obligations.

Liquidity risk

The company produces cash flow forecasts, against which actual cash is monitored on a monthly basis.

Foreign exchange risk

The company purchases the majority of its raw materials from Europe in Euros. The company is therefore exposed to movements in the Euro to Sterling exchange rate. Foreign exchange forward contracts are managed centrally by the company's ultimate parent to mitigate this.

Non-financial risks and mitigations

The company identifies loss of reputation due to product failure as a principal risk and tracks weekly warranty returns data as a key performance indicator.

Key performance indicators

Turnover shows a year on year decrease of 0.67% from £35.7 million in 2015 to £35.4 million in 2016. CS turnover decreased by £0.9 million, but was partially offset by an increase in original equipment (OE) turnover.

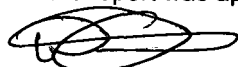
Gross profit at £7.6 million (2015 £6.9 million) shows a year on year increase of 9.9% and an increase from 19.5% of turnover to 21.5%.

As a result operating profit has increased from £2.9 million in 2015 to £3.4 million in 2016.

Results

The company's profit for the financial year is £2.4 million (2015 - £2.5 million), which will be transferred to reserves.

This report was approved by the board on date 25 November 2016 and signed on its behalf.



W Costigan
Director

Faiveley Transport Birkenhead Limited

**Directors' report
For the Year Ended 31 March 2016**

The directors present their report and the audited financial statements for the year ended 31 March 2016.

Principal activities

The company's principal activity is the distribution, sale, overhaul, repair and servicing of braking and coupler equipment for railway vehicles.

Business review

The review of the business, future developments and financial risk management policies can be found in the strategic report on pages 2 and 3 of these financial statements.

Results and dividends

The profit for the financial year amounted to £2,396,000 (2015 - £2,478,000).

No dividend was proposed or paid in the year ended 31 March 2016 (2015 - £Nil).

Directors

The directors who were in office during the year and up to the date of signing the financial statements were:

L Leroux
X De Lavallade
I S Dolman
W Costigan
S Charlesworth
A Vidal (appointed 4 January 2016)
G Bouhours (resigned 4 January 2016)

Directors' indemnities

The company maintains a qualifying third party insurance policy for its directors and officers for the whole period and including up to the signing of these financial statements..

Political contributions

The company donated £1,730 (2015 - £709) to charities during the year. The company made no political donations.

Going concern

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty over (a) the level of demand for the Group's products; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements.

Future Developments

Please refer to the review of the business and future developments in the strategic report.

Faiveley Transport Birkenhead Limited

**Directors' report (continued)
For the Year Ended 31 March 2016**

Disclosure of information to auditors

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 auditors are 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 relevant audit information and to establish that the Company's auditors are aware of that information.

Post statement of financial position events

The Faiveley Group is still under exclusive talks to sell the entire group to Wabtec. It is expected that the sale will be completed before 31st December 2016. Faiveley is also changing its year end accounting date to 31st December, The impact of this will be that for 2016 there will be a nine month set of accounts filed at Companies House. This change will align the Faiveley accounting year to fall in line with that of the Wabtec corporation.

In June the UK has voted to leave the EU. This event was unexpected and has seen a sharp decrease in the value of sterling against other currencies, notably the Euro and US Dollar. This will cause an increase in future purchasing costs as existing hedging contracts expire. The Faiveley management team will be closely monitoring the negotiations between the UK government and the EU.

This report was approved by the board on date 25 November 2016 and signed on its behalf.



W Costigan
Director

Faiveley Transport Birkenhead Limited

**Directors' responsibilities statement
for the year ended 31 March 2016**

The directors are responsible for preparing the strategic report, 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Faiveley Transport Birkenhead Limited

Independent auditors' report to the members of Faiveley Transport Birkenhead Limited

Report on the financial statements

Our opinion

In our opinion, Faiveley Transport Birkenhead Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2016 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of financial position as at 31 March 2016;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Faiveley Transport Birkenhead Limited

Independent auditors' report to the members of Faiveley Transport Birkenhead Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.



Nicholas Cook (Senior Statutory Auditor)
for and on behalf of Pricewaterhouse Coopers LLP,
Chartered Accountants and Statutory Auditors
Liverpool

25 November 2016

Faiveley Transport Birkenhead Limited

**Statement of comprehensive income
for the year ended 31 March 2016**

	Note	2016 £000	2015 £000
Turnover	4	35,430	35,669
Cost of sales		(27,803)	(28,728)
Gross profit		7,627	6,941
Distribution costs		(505)	(439)
Administrative expenses		(3,694)	(3,837)
Other operating (charges)/income	5	(59)	226
Operating profit	6	3,369	2,891
Interest receivable and similar income	11	44	53
Interest payable and similar charges	12	(35)	(44)
Other finance (charges)/income		(157)	284
Profit on ordinary activities before taxation		3,221	3,184
Tax on profit on ordinary activities	14	(825)	(706)
Profit for the financial year		2,396	2,478
Other comprehensive income/(loss) for the year			
Actuarial losses on defined benefit pension scheme		(403)	(3,161)
Movement in deferred tax thereon		73	633
Other comprehensive income/(loss) for the year		(330)	(2,528)
Total comprehensive income/(loss) for the year		2,066	(50)

The notes on pages 12 to 41 form an integral part of these financial statements.

All amounts relate to continuing operations.

Faiveley Transport Birkenhead Limited
Registered number: 01841352

Statement of financial position
as at 31 March 2016

	Note	£000	2016 £000	Restated 2015 £000
Fixed assets				
Tangible assets	15		898	861
Investments	16		4,000	4,000
			<u>4,898</u>	<u>4,861</u>
Current assets				
Stocks	17	3,071		2,775
Debtors	18	8,725		9,828
Cash at bank and in hand	19	20,533		18,280
		<u>32,329</u>		<u>30,883</u>
Creditors: amounts falling due within one year	20	(22,846)		(22,505)
Net current assets			<u>9,483</u>	<u>8,378</u>
Total assets less current liabilities			<u>14,381</u>	<u>13,239</u>
Provisions for liabilities	23	(286)		(341)
			<u>(286)</u>	<u>(341)</u>
Pension liability			<u>(4,809)</u>	<u>(5,678)</u>
Net assets			<u><u>9,286</u></u>	<u><u>7,220</u></u>
Capital and reserves				
Called up share capital	24		1	1
Retained earnings	25		9,285	7,219
Total equity			<u><u>9,286</u></u>	<u><u>7,220</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 November 2016.



W Costigan
Director

The notes on pages 12 to 41 form an integral part of these financial statements.

Faiveley Transport Birkenhead Limited

**Statement of changes in equity
for the year ended 31 March 2016**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 April 2015	1	7,219	7,220
Other comprehensive income for the year			
Profit for the financial year	-	2,396	2,396
Actuarial losses on pension scheme	-	(403)	(403)
Deferred tax attributable to actuarial loss	-	73	73
Total comprehensive income for the year	-	2,066	2,066
At 31 March 2016	1	9,285	9,286

**Statement of changes in equity
for the year ended 31 March 2015**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 April 2014	1	7,269	7,270
Other comprehensive income for the year			
Profit for the financial year	-	2,478	2,478
Actuarial losses on pension scheme	-	(3,161)	(3,161)
Deferred tax attributable to actuarial loss	-	633	633
Other comprehensive loss for the year	-	(2,528)	(2,528)
Total comprehensive loss for the year	-	(50)	(50)
At 31 March 2015	1	7,219	7,220

The notes on pages 12 to 41 form an integral part of these financial statements.

Faiveley Transport Birkenhead Limited

Notes to the financial statements For the Year Ended 31 March 2016

1. General information

Faiveley Transport Birkenhead Limited is a private company limited by shares and was incorporated in England & Wales under the Companies Act. The address of the registered office is Morpeth Wharf, Twelve Quays, Birkenhead, Wirral, CH41 1LF. The nature of the company's operations and its principal activity is the distribution, sale, overhaul, repair and servicing of braking and coupler equipment for railway vehicles.

2. Accounting policies

2.1 Basis of preparation of financial statements

Information on the impact of first-time adoption of FRS 102 is given in note 32.

The financial statements are prepared in Sterling (£) and all balances are shown rounded to the nearest thousand.

Statement of compliance

The individual financial statements of Faiveley Transport Birkenhead Limited have been prepared in compliance with United Kingdom Accounting Standards, including financial Reporting 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. This is the first year in which the financial statements have been prepared under FRS 102. The date of transition to FRS 102 was 1 April 2014. Details of the transition are disclosed in note 32.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

**Notes to the financial statements
For the Year Ended 31 March 2016**

2. Accounting policies (continued)

2.2 Financial reporting standard 102 - reduced disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the company's shareholders. A qualifying entity is defined as a member of a group that prepares publically available financial statements, which give a true and fair view, in which that member is consolidated. The company is a qualifying entity as its results are consolidated into the financial statements of Faiveley SA, which are publicly available.

As a qualifying entity, the company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.1A.

This information is included in the consolidated financial statements of Faiveley SA as at 31 March 2016 and these financial statements may be obtained from Le Delage Building, Hall Pare - Batiment 6A, 6eme etage, 3, rue du 19 mars 1962, 92230 Gennevilliers, Cedex - France.

2.3 Associates and joint ventures

Associates and Joint Ventures are held at cost less impairment.

2.4 Turnover

Turnover represents sales to external customers at invoiced amounts less Value Added Tax, discounts or local taxes on sales. Turnover is recognised upon delivery of the goods or completion of a service. For long term contracts see note 2.13.

2.5 Other operating income

Other operating income represents royalty income received by the company from third parties for the use of patents belonging to the company.

2.6 Tangible fixed assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Faiveley Transport Birkenhead Limited

Notes to the financial statements For the Year Ended 31 March 2016

2. Accounting policies (continued)

2.6 Tangible fixed assets (continued)

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:

Leasehold improvements	- over 15 years straight line
Plant and machinery	- over 3 to 20 years (according to type and use) straight line

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Derecognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating (losses)/gains'.

2.7 Operating leases

Rentals under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the life of the lease.

2.8 Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease.

Where the implicit rate cannot be determined the Group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

2.9 Investment in subsidiary company

Investment in a subsidiary company is held at cost less accumulated impairment losses.

Faiveley Transport Birkenhead Limited

Notes to the financial statements For the Year Ended 31 March 2016

2. Accounting policies (continued)

2.10 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal. Provisions are made in relation to slow moving and obsolete stock lines.

Long term contracts are assessed on a contract by contract basis and are reflected in the Statement of Comprehensive Income by recording turnover and related costs as contract activity progresses. Where the outcome of each long-term contract can be assessed with reasonable certainty before its conclusion, the attributable profit is recognised in the Statement of Comprehensive Income as the difference between the reported turnover and related costs for that contract.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Long term contracts

For services provided over a longer period, sales are recognised based on the percentage of completion of services.

Sales arising from equipment manufacturing contracts of more than one year in duration are recognised using the percentage of completion method in accordance with IAS 11. A contract consists of two phases: an engineering phase relating to product design and a production phase relating to their manufacture. Contractually, engineering work is invoiced to customers on the basis of the stage of technical completion. Manufactured products are subsequently delivered and invoiced to the customers in accordance with the delivery dates provided for in the contract. Percentage of completion is measured in the large majority of cases on the basis of relating actual sales billed and delivered to the total sales value of the contract. The total estimated cost of completion includes direct costs (such as raw materials, labour and engineering) relating to the contracts. This includes costs already committed and future costs, including warranty costs and costs specific to the probable risks. Provision charges for losses to completion and other provisions on contracts are recorded as cost of sales in the Statement of Comprehensive Income if, during the review of the contracts, it seems probable that the costs to which they relate will arise.

Changes in the conditions of contract fulfillment and all changes to margins at completion are recorded as cost of sales in the Statement of Comprehensive Income in the period in which they are identified.

Warranty provisions are valued based on contract terms and an assessment of risks based on sector knowledge.

If this results in a margin differing to the projected project margin, then an adjustment is taken to the balance sheet. Under FRS102, any WIP is not permitted under the output method, and therefore is released to the statement of comprehensive income.

Faiveley Transport Birkenhead Limited

Notes to the financial statements For the Year Ended 31 March 2016

2. Accounting policies (continued)

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.14 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Faiveley Transport Birkenhead Limited

**Notes to the financial statements
For the Year Ended 31 March 2016**

2. Accounting policies (continued)**2.16 Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. All differences on foreign exchange are taken to the Statement of Comprehensive Income. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

2.17 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Faiveley Transport Birkenhead Limited

Notes to the financial statements For the Year Ended 31 March 2016

2. Accounting policies (continued)

2.18 Pensions

(I) Defined Benefit Pension Scheme

The company has a defined benefit plan which closed in 2005. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Tri-annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss comprises of current service costs and net interest on the defined benefit scheme assets /(liabilities)

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'Finance expense'.

(II) Defined Contribution Pension Scheme

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

2.19 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.20 Warranty provision

Provisions for warranties are recognised when the company has a present legal or constructive obligation as a result of past events which is likely to result in an outflow of resources to settle the obligation.

Faiveley Transport Birkenhead Limited

**Notes to the financial statements
For the Year Ended 31 March 2016**

2. Accounting policies (continued)

2.21 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.22 Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

2.23 Research and development

Development costs are charged to the Statement of Comprehensive Income in the year of expenditure, unless individual project costs satisfy all of the following criteria:

- the project is clearly defined and related expenditure is separately identifiable,
- the project is technically feasible and commercially viable,
- current and future costs are expected to be exceeded by future sales, and
- adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and amortised over a period not exceeding five years commencing in the year the company starts to benefit from the expenditure.

Faiveley Transport Birkenhead Limited
--

**Notes to the financial statements
For the Year Ended 31 March 2016**

2. Accounting policies (continued)

2.24 Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Company financial statements.

Faiveley Transport Birkenhead Limited

**Notes to the financial statements
For the Year Ended 31 March 2016**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgments:

- Determine whether leases entered into by the Company either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the Company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- **Tangible fixed assets (see note 14)**
Tangible fixed assets, other than investments properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- **Investments (see note 15)**
The most critical estimates, assumptions and judgments relate to the determination of carrying value of investments at fair value through the income statement, the Company follows the International Private Equity and Venture Capital Valuation Guidelines, applying the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstances of the investment drives the valuation methodology.
- **Defined benefit pension scheme**
The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 27 for the disclosures relating to the defined benefit pension scheme.

**Notes to the financial statements
For the Year Ended 31 March 2016**

3. Judgments in applying accounting policies (continued)

- **Inventory provisioning**
The company operates in a market whereby each specific customer need can be different. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 16 for the net carrying amount of the inventory and associated provision.
- **Impairment of debtors**
The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 17 for the net carrying amount of the debtors and associated impairment provision.
- **Long term contracts**
The company uses a percentage of completion methodology for long term contract accounting. To be accounted for as a contract, a contract is determined on the contract type, value & duration. For these projects, revenue will be recorded on the basis of revenues invoiced to date, known as the output method.
If this results in a margin differing to the projected project margin, then an adjustment is taken to the balance sheet. Under FRS102, any WIP is not permitted under the output method, and therefore is released to the Statement of Comprehensive Income.

Faiveley Transport Birkenhead Limited

**Notes to the financial statements
For the Year Ended 31 March 2016**

4. Turnover

The whole of turnover is attributable to the principal activity of the company, which is that of the distribution, sale, overhaul, repair and servicing of braking and coupler equipment for railway vehicles.

	2016	2015
	£000	£000
Sale of goods	34,447	34,520
Rendering of services	983	1,149
	35,430	35,669

Analysis of turnover by country of destination:

	2016	2015
	£000	£000
United Kingdom	30,805	31,442
Rest of European Union	3,908	3,680
Rest of the world	717	547
	35,430	35,669

£5,772,000 has been recognised as revenue in the year in respect of amounts earned on long term contracts (2015 - £4,619,000)

5. Other operating income

	2016	2015
	£000	£000
(Loss)/ income on royalty receivable	(59)	226

6. Operating profit

The operating profit is stated after charging/(crediting):

	2016	2015
	£000	£000
Depreciation of tangible fixed assets	189	175
Other operating rentals - plant and machinery	147	145
- other operating leases	356	316
Difference on foreign exchange	(238)	162
Staff pension current service costs (Note 27)	102	91
Defined contribution pension cost	203	194

Faiveley Transport Birkenhead Limited
--

**Notes to the financial statements
For the Year Ended 31 March 2016**

7. Auditors' remuneration

	2016 £000	2015 £000
Fees payable to the Company's auditors and their associates for the audit of the Company's annual financial statements	19	13

There were no fees payable to the auditors in respect of non audit services.

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £000	2015 £000
Wages and salaries	5,925	5,388
Social security costs	632	585
Other pension costs	305	285
	6,862	6,258

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

	2016 No.	2015 No.
General and administrative	16	13
Sales and marketing	12	13
Engineering	11	18
Manufacturing	105	99
	144	143

Faiveley Transport Birkenhead Limited

**Notes to the financial statements
For the Year Ended 31 March 2016**

9. Directors' remuneration

	2016 £000	2015 £000
Directors' emoluments	307	272
Company pension contributions to defined contribution pension schemes	24	24
	331	296

During the year retirement benefits were accruing to 2 directors (2015 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £197,000 (2015 - £179,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £16,000 (2015 - £16,000).

During the year NIL directors received shares under the long term incentive schemes (2015 -NIL)

During the year NIL directors exercised share options (2015 - Nil).

10. Share Options Scheme

The company is part of a the Group share options schemes with some employees eligible for share options. The charge from group is allocated based on performance levels being achieved and are allocated to the individual company based on the eligible individuals in that company.

From 2012 – 2014 these schemes required a personal investment by the beneficiaries with two free shares being granted for every share purchased. The schemes were subjected to a four year vesting period and required two years continued employment by the individual from the date of the option being granted.

In 2015 a free performance based scheme was introduced with beneficiaries receiving shares subject to Group achieving certain performance criteria. This scheme is subject to a two year vesting period and requires one year continued employment by the individual from the date the option was granted.

The method of settlements on these schemes is cash.

During the year a charge of £39,932 was taken to the statement of comprehensive income.

11. Interest receivable and similar income

	2016 £000	2015 £000
On loans receivable from group undertakings	42	51
Other bank accounts	2	2
	44	53

Faiveley Transport Birkenhead Limited

**Notes to the financial statements
For the Year Ended 31 March 2016**

12. Interest payable and similar charges

	2016 £000	2015 £000
On bank loans and overdrafts	35	44

13. Other finance charges

	2016 £000	2015 £000
Net interest on net defined benefit liability (note 28)	(157)	284

14. Tax on profit on ordinary activities

	2016 £000	2015 £000
Current tax		
Current tax on profits for the year	8	-
Adjustments in respect of prior years	11	-
Total current tax	19	-
Deferred tax		
Origination and reversal of timing differences	806	706
Total deferred tax	806	706
Taxation on profit on ordinary activities	825	706

Faiveley Transport Birkenhead Limited

**Notes to the financial statements
For the Year Ended 31 March 2016**

14. Tax on profit on ordinary activities (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 21%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before taxation	3,221	3,184
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 21%)	644	669
Effects of:		
Expenses not deductible for tax purposes	9	11
Amounts (charged)/credited directly to OCI or otherwise transferred	(9)	(31)
Depreciation on assets not eligible for capital allowances	11	21
Income not subject to tax	(2)	(5)
Group Relief claimed	-	(11)
Adjustments to tax charge in respect of prior years - current tax	11	-
Adjustments to tax charge in respect of prior years - deferred tax	-	57
Adjustments due to changes in tax rates	161	(5)
Total tax charge for the year	825	706

Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's results for this accounting year are taxed at an effective rate of 20.00%. Deferred tax balances were calculated at 18% (2015: 20%). A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015. As the change to 17% had not been substantively enacted at the balance sheet date its effects are not included in these financial statements.

Faiveley Transport Birkenhead Limited

**Notes to the financial statements
For the Year Ended 31 March 2016**

15. Tangible assets

	Leasehold improvements £000	Plant and machinery £000	Total £000
Cost or valuation			
At 1 April 2015	1,029	5,158	6,187
Additions	-	231	231
Disposals	-	(776)	(776)
At 31 March 2016	<u>1,029</u>	<u>4,613</u>	<u>5,642</u>
Depreciation			
At 1 April 2015	746	4,580	5,326
Charge owned for the year	75	114	189
Disposals	-	(771)	(771)
At 31 March 2016	<u>821</u>	<u>3,923</u>	<u>4,744</u>
Net book value			
At 31 March 2016	<u>208</u>	<u>690</u>	<u>898</u>
At 31 March 2015	<u>283</u>	<u>578</u>	<u>861</u>

There are no securities held on the assets of the company.

Faiveley Transport Birkenhead Limited
--

**Notes to the financial statements
For the Year Ended 31 March 2016**

16. Investments

	Investments in associates £000
Cost or valuation	
At 1 April 2015	5,800
At 31 March 2016	<u>5,800</u>
Impairment	
At 1 April 2015	1,800
At 31 March 2016	<u>1,800</u>
Net book value	
At 31 March 2016	<u><u>4,000</u></u>
At 31 March 2015	<u><u>4,000</u></u>

Participating interests

Faiveley Transport Birkenhead Limited has an associated undertaking of Sab Wabco (Investments) Limited which is incorporated in the UK. Faiveley Transport Birkenhead Limited holds 28% (2015 - 28%) of the ordinary share capital of Sab Wabco (Investments) Limited which does not trade but which holds intercompany loans with other group undertakings.

The directors believe the carrying value of the investments is supported by their underlying net assets.

Faiveley Transport Birkenhead Limited

**Notes to the financial statements
For the Year Ended 31 March 2016**

17. Stocks

	2016 £000	2015 £000
Raw materials	2,871	2,552
Work in progress	200	223
	<u>3,071</u>	<u>2,775</u>

An impairment loss of £26,163 (2015 - £234,338) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

There is no significant difference between the replacement cost of raw materials, finished goods and goods for resale and their carrying amounts.

18. Debtors

	2016 £000	2015 £000
Trade debtors	4,481	5,239
Amounts owed by group undertakings	2,618	2,004
Other debtors	12	56
Deferred tax asset (Note 22)	1,454	2,187
Prepayments and accrued income	160	342
	<u>8,725</u>	<u>9,828</u>

Amounts owed by group undertakings of £517,611 (2015: £514,329) attract interest at a rate of LIBOR - 0.15% and are repayable on demand.

The deferred tax balance is expected to be substantially recovered after more than one year. Of this asset, approximately £266,000 (2015 - £707,000) is expected to be utilised within one year.

19. Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	20,533	18,280
	<u>20,533</u>	<u>18,280</u>

Faiveley Transport Birkenhead Limited

**Notes to the financial statements
For the Year Ended 31 March 2016**

20. Creditors: Amounts falling due within one year

	2016	Restated
	£000	2015 £000
Trade creditors	1,632	1,392
Amounts owed to group undertakings	19,176	18,706
Taxation and social security	948	1,107
Other creditors	18	26
Accruals and deferred income	1,072	1,274
	22,846	22,505

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

21. Financial instruments

	2016	2015
	£000	£000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	27,644	25,579
	27,644	25,579
Financial liabilities		
Financial liabilities measured at amortised cost	(21,898)	(21,398)
	(21,898)	(21,398)

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings, other debtors and cash and cash equivalents.

Financial Liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors and accruals and deferred income.

Faiveley Transport Birkenhead Limited

**Notes to the financial statements
For the Year Ended 31 March 2016**

22. Deferred taxation

	2016	2015
	£000	£000
At beginning of year	2,187	2,260
Charged to the profit or loss	(806)	(706)
Charged to other comprehensive income	73	633
At end of year	1,454	2,187

The deferred tax asset is made up as follows:

	2016	2015 restated
	£000	£000
Accelerated capital allowances	32	88
Other timing differences	52	68
Unrelieved tax losses	505	896
Pension deficit	865	1,135
	1,454	2,187

Deferred tax asset relating to pension deficit (Note 28):

	2016	2015
	£000	£000
At 1 April	1,135	926
Deferred tax credited/(charged) to the statement of total recognised gains and losses:	-	-
- on actuarial loss	73	633
- change in tax rate	(114)	-
Deferred tax charge in profit and loss account (Note 14))	(229)	(424)
	865	1,135

Faiveley Transport Birkenhead Limited

**Notes to the financial statements
For the Year Ended 31 March 2016**

23 Other provisions

	Warranty £000
At 1 April 2015	341
Charged to the profit or loss	73
Utilised in year	(128)
At 31 March 2016	286

The warranty provision is in place to cover future costs of repair or replacement of parts already sold. For CS, a rate between 1 and 2% of the sales value is provided for on a rolling 12 month basis. For OE, provisions are made on a project specific basis.

It is expected that the provision will be utilised during the life of the warranty period, which is typically two years but can vary from contract to contract.

24. Called up share capital

	2016 £000	2015 £000
Shares classified as equity		
Allotted, called up and fully paid		
1,000 (2015 - 1,000) Ordinary shares of £1 each	1	1

There is only one class of share and there are no restrictions on distributions

25. Capital and reserves

The Company's capital and reserves are as follows:

Share capital

Called up share capital represents the nominal value of the shares issued.

Retained earnings

Retained earnings represents cumulative profits or losses net of dividends paid and other adjustments.

Faiveley Transport Birkenhead Limited

**Notes to the financial statements
For the Year Ended 31 March 2016**

26. Prior year restatement

Creditors falling due within one year have been restated for 2015 due to an adjustment of £14,074,000 to amounts owed to group undertakings. This balance was reclassified from creditors falling due after more than one year.

Upon investigation it was found that the Group amounts were actually repayable on demand and have therefore been re-classed as under 1 year.

Upon investigation it was found that certain contracts with an IAS11 balance as at 31st March 2015 had a credit balance. These had been adjusted for as a prior year adjustment.

The classification of cost types within the statement of comprehensive income have been amended to align to the classification used in preparing the current year figures. This change impacted cost of sales, distribution and administrative costs. Therefore there was no overall impact on the net profit for the year.

27. Capital commitments

At 31 March the Company had capital commitments as follows:

	2016	2015
	£000	£000
Contracted for but not provided in these financial statements	148	130

At both the current and prior year end the company has a guarantee of £100,000 in respect of HM Customs and Excise. At the year end there is also a commitment for tangible assets of £47,806 (2015 - £29,944).

Faiveley Transport Birkenhead Limited

**Notes to the financial statements
For the Year Ended 31 March 2016**

28. Pension commitments

The Company operates a defined benefit pension scheme.

The major scheme was established under an irrevocable Deed of Trust by Faiveley Transport Birkenhead Limited for its employees. The Deed determines the appointment of trustees to the fund. The scheme is managed by a corporate trustee accountable to the pension scheme members. The trustees of the fund are required to act in the best interest of the beneficiaries.

Pension benefits generally depend upon age, length of service and salary level. The company also provides retirees with at least five years of service and those who are at least aged 55 with other post retirement benefits which include life insurance.

The company's funding policy of the scheme is based on a three year agreement with the pension trustees. This agreement details the amounts to be paid each month directly to the scheme.

A full actuarial valuation of the SabWabco defined benefit scheme was carried out at 31 March 2015 and updated at 31 March 2016 by a qualified independent actuary on a FRS 102 basis.

A full actuarial valuation of the Davies & Metcalfe (1977) defined benefit scheme was carried out at 10 May 2010 and updated to 31 March 2016 by a qualified independent actuary on a FRS 102 basis. There is another valuation currently in progress.

A full actuarial valuation of the Davies & Metcalfe defined benefit scheme was carried out at 1 May 2007 and updated to 31 March 2016 by a qualified independent actuary on a FRS 102 basis.

There were no changes to the above schemes during the year.

The following amounts are disclosed in respect of the aggregate of the 3 schemes:

Reconciliation of present value of plan liabilities:

	2016 £000	2015 £000
Reconciliation of present value of plan liabilities		
Opening defined benefit obligation	51,883	45,462
Current service cost	102	91
Interest expense (note 13)	1,636	1,923
Actuarial losses (gains) arising from changes in demographic assumptions	(441)	-
Actuarial losses (gains) arising from changes in financial assumptions	(2,199)	5,994
Experience losses (gains) on liabilities	122	-
Contribution by scheme members	23	20
Benefits paid	(1,553)	(1,607)
At the end of the year	49,573	51,883

Faiveley Transport Birkenhead Limited

**Notes to the financial statements
For the Year Ended 31 March 2016**

28. Pension commitments (continued)

Composition of plan liabilities:

	2016 £000	2015 £000
Schemes wholly or partly funded	49,573	51,883
Total plan liabilities	49,573	51,883

	2016 £000	2015 £000
Opening fair value of scheme assets	46,205	40,829
Interest income (note 12)	1,479	1,762
Return on scheme assets excluding interest income	(2,921)	3,276
Contributions by employer	1,531	1,925
Contributions by scheme members	23	20
Benefits paid	(1,553)	(1,607)
At the end of the year	44,764	46,205

Composition of plan assets:

	2016 £000	2015 £000
UK Equities	1,914	2,452
Overseas Equities	1,722	2,231
Diversified Growth Fund	19,185	17,684
Corporate Bonds	11,185	11,268
Fixed-interest government bonds	-	7,457
Index-linked government bonds	-	3,065
Liability Driven Investment - Nominal	3,181	-
Liability Driven Investment - Real	5,076	-
Cash and cash equivalents	353	205
Insured Assets	2,148	1,843
Total plan assets	44,764	46,205

Faiveley Transport Birkenhead Limited

**Notes to the financial statements
For the Year Ended 31 March 2016**

28. Pension commitments (continued)

	2016 £000	2015 £000
Fair value of plan assets	44,764	46,205
Present value of plan liabilities	(49,573)	(51,883)
Net pension scheme liability	(4,809)	(5,678)

The amounts recognised in profit or loss are as follows:

	2016 £000	2015 £000
Current service cost	102	91
Interest on obligation	157	(284)
Total	259	(193)

	2016 £000	2015 £000
Analysis of actuarial loss recognised in Other Comprehensive Income		
Return on scheme assets	(2,921)	2,833
Actuarial gains/(losses) from changes in demographic assumptions	441	-
Actuarial gains/(losses) from changes in financial assumptions	2,199	(5,994)
Experience (losses)/gains on liabilities	(122)	-
	(403)	(3,161)

The Company expects to contribute £1,880,000 to its defined benefit pension scheme in 2017.

Principal actuarial assumptions at the statement of financial position date (expressed as weighted averages):

	2016 %	2015 %
Discount rate	3.45	3.20
Price inflation - RPI	2.95	2.95
Price inflation - CPI	1.95	1.95
Future pension increases	2.8	2.8
Mortality rates		
- for a male aged 65 now	22.2 years	22.4 years

Faiveley Transport Birkenhead Limited

**Notes to the financial statements
For the Year Ended 31 March 2016**

28. Pension commitments (continued)

29. Commitments under operating leases

At 31 March the Company had total future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings and Other 2016 £000	Land and buildings and Other 2015 £000
Not later than 1 year	477	422
Later than 1 year and not later than 5 years	1,062	912
Later than 5 years	454	-
	<hr/> <hr/>	<hr/> <hr/>

Lease payments recognised as an expense in the Statement of Comprehensive Income in the year in the amount to £503,427 (2015 - £461,543).

30. Related party transactions

The company has taken advantage of the Related party transactions disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This information is included in the consolidated financial statements of Faiveley SA as at 31 March 2016 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

31. Post balance sheet events

The Faiveley Group is still under exclusive talks to sell the entire group to Wabtec. It is expected that the sale will be completed before 31st December 2016. Faiveley is also changing its year end accounting date to 31st December. The impact of this will be that for 2016 there will be a nine month set of accounts filed at Companies House. This change will align the Faiveley accounting year to fall in line with that of the Wabtec corporation.

In June the UK has voted to leave the EU. This event was unexpected and has seen a sharp decrease in the value of sterling against other currencies, notably the Euro and US Dollar. This will cause an increase in future purchasing costs as existing hedging contracts expire. The Faiveley management team will be closely monitoring the negotiations between the UK government and the EU.

Faiveley Transport Birkenhead Limited
--

**Notes to the financial statements
For the Year Ended 31 March 2016**

32. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Sab Wabco UK Limited.

The ultimate parent undertaking and controlling party is Faiveley SA, a company incorporated in France.

Faiveley SA is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 March 2016, a company incorporated in France. The consolidated financial statements of Faiveley SA can be obtained from Faiveley SA, Le Delage Building, Hall Pare - Batiment 6A, 6eme etage, 3, rue du 19 mars 1962, 92230 Gennevilliers, Cedex - France.

Faiveley Transport Birkenhead Limited

**Notes to the financial statements
For the Year Ended 31 March 2016**

33. First time adoption of FRS 102

	As previously stated 1 April 2014 £000	Effect of transition 1 April 2014 £000	FRS 102 (as restated) 1 April 2014 £000	As previously stated 31 March 2015 £000	Effect of transition 31 March 2015 £000	FRS 102 (as restated) 31 March 2015 £000
Note						
Fixed assets	4,842	-	4,842	4,861	-	4,861
Current assets	31,708	926	32,634	29,748	1,135	30,883
Creditors: amounts falling due within one year	(11,584)	-	(11,584)	(22,505)	-	(22,505)
Net current assets	20,124	926	21,050	7,243	1,135	8,378
Total assets less current liabilities	24,966	926	25,892	12,104	1,135	13,239
Creditors: amounts falling due after more than one year	(13,774)	-	(13,774)	-	-	-
Provisions for liabilities	(3,922)	-	(3,922)	(4,884)	(1,135)	(6,019)
Net assets	7,270	926	8,196	7,220	-	7,220
Capital and reserves	7,270	926	8,196	7,220	-	7,220

This is the first year that the Company has presented its results under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014. Set out above are the changes in accounting policies which reconcile profit for the financial year ended 31 March 15 and the total equity as at 1 April 2014 and 31 March 2015 between UK GAAP as previously reported and FRS 102.

Transition exemptions

The Company has taken advantage of the exemption for existing leases at the transition date to continue to recognise these lease incentives on the same basis as previous UK GAAP. This relates directly to the reduced initial rent for the London site lease where the benefit is being amortised over the life of the lease.

Faiveley Transport Birkenhead Limited

**Notes to the financial statements
For the Year Ended 31 March 2016**

33. First time adoption of FRS 102 (continued)

	As previously stated 2015 £000	Effect of transition 2015 £000	FRS 102 (as restated) 2015 £000
Turnover	35,669	-	35,669
Cost of sales	(28,728)	-	(28,728)
Gross profit	6,941	-	6,941
Distribution expenses	(439)	-	(439)
Administrative expenses	(3,837)	-	(3,837)
Other operating income	226	-	226
Operating profit	2,891	-	2,891
Interest receivable and similar income	53	-	53
Interest payable and similar charges	(44)	-	(44)
Other finance income	284	-	284
Tax on profit on ordinary activities	(706)	-	(706)
Profit for the financial year	2,478	-	2,478

Explanation of changes to previously reported profit and equity:

- 1 Previously the company adopted FRS17 which reported the pension liability net of deferred tax. Under FRS102 the pension liability is now shown gross and the respective deferred tax asset is separately reported. The £1,135,000 represents the deferred tax on the pension scheme liability.