

Registered in England and Wales, No. 188137

ALSTOM AUTOMATION INTERNATIONAL LTD

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2004



DIRECTORS:

A D Cledwyn-Davies
S J Gardner

SECRETARY:

A D Cledwyn-Davies

REGISTERED OFFICE:

Newbold Road
Rugby
Warwickshire CV21 2NH

AUDITORS:

Deloitte & Touche LLP
Birmingham

DIRECTORS' REPORT
Year Ended 31 March 2004

The Directors present their report and the financial statement for the year ended 31 March 2004.

REVIEW OF THE COMPANY AND ITS ACTIVITIES

During the year the Company completed its one existing contract in China. The Company has not taken on nor is active in pursuing new contracts.

RESULTS AND DIVIDENDS

The Company made a profit for the year after taxation of £132,000 (2003: profit £222,000). The Directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The membership of the Board is shown on page 2.

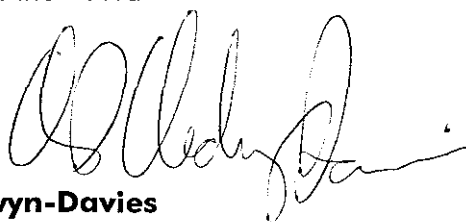
None of the Directors had a beneficial interest, other than in the normal course of business, in any contract to which the Company was a part during the year.

According to the Register kept by the Company in accordance with Section 325 of the Companies Act 1985, no Director of the Company had any disclosable interests in the shares or debentures of the Company or its ultimate parent company.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

By Order of the Board



A D Cledwyn-Davies
Secretary

25 May

2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the Company's system of internal financial control and have a general responsibility for taking such steps as are reasonably open to them and which they deem appropriate to safeguard the assets of the Company and to seek to prevent and detect fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ALSTOM AUTOMATION INTERNATIONAL LTD**

We have audited the financial statements of ALSTOM Automation International Ltd for the year ended 31 March 2004 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 9. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relating to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Basis of preparation – going concern

In forming our opinion, we have considered the adequacy of the disclosures in note 1 to the accounts, concerning the continued availability of ALSTOM Group Banking and Treasury facilities and the continued support of the ultimate parent company. In view of the significance of this uncertainty, we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Birmingham

Deloitte Touche LLP
June 2004

PROFIT & LOSS ACCOUNT
Year Ended 31 March 2004

	Note	2004 £000	2003 £000
TURNOVER	1	-	218
COST OF SALES		(103)	(221)
GROSS LOSS		<u>(103)</u>	<u>(3)</u>
Other operating income		-	19
Other operating expense		(1)	-
OPERATING (LOSS)/PROFIT		<u>(104)</u>	<u>16</u>
Interest receivable and similar charge	4	314	301
Interest payable and similar charge	4	(10)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	<u>200</u>	<u>317</u>
TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES	2	<u>(68)</u>	<u>(95)</u>
PROFIT FOR THE FINANCIAL YEAR		132	222
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		<u>(2,539)</u>	<u>(2,762)</u>
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		<u>(2,407)</u>	<u>(2,539)</u>

Both turnover and operating profit relate to discontinued activities.

There are no recognised gains or losses or movements in shareholders' funds shown in this or the preceding year except for those shown in the profit and loss account above.

BALANCE SHEET
31 March 2004

	Note	2004 £000	2003 £000
CURRENT ASSETS			
Debtors	5	9,903	9,374
Cash at bank and in hand		-	79
		<u>9,903</u>	<u>9,453</u>
CREDITORS: amounts falling due within one year			
	6	<u>(11,691)</u>	<u>(11,373)</u>
NET CURRENT LIABILITIES		<u>(1,788)</u>	<u>(1,920)</u>
CAPITAL AND RESERVES			
Called up share capital	7	619	619
Profit and loss account		(2,407)	(2,539)
TOTAL EQUITY SHAREHOLDERS FUNDS		<u>(1,788)</u>	<u>(1,920)</u>

These financial statements were approved by the Board of Directors on 25 May 2004.


S J Gardner
Director

NOTES TO THE ACCOUNTS

Year Ended 31 March 2004

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financing of the ALSTOM Group (the Group) is co-ordinated through centrally held Group banking and treasury facilities held by the Company's ultimate parent company, ALSTOM. Accordingly, the Company is dependent on the continuing financial support and funding from ALSTOM.

In preparing ALSTOM's consolidated financial statements for the year ended 31 March 2004, the Group has taken into account the matter set out hereafter:

1) The Financing Package concluded by ALSTOM with its bankers and the French State in September 2003, the main features of which are:

Strengthening of the Group's equity through :

Share Capital Increase with preferential rights	€300m
Issue of Bonds Mandatorily Reimbursable with Shares (ORA) with 5 year maturity:	€900m
Long-Term Instruments	
Subordinated Bond (French State) with 20 year maturity	€300m
Subordinated Bond (French State) with 15 year maturity	€200m
Medium-Term Loans	
Subordinated Loan (French State) with 5 year maturity	€300m
Subordinated Loans (Banks) with 5 year maturity	<u>€1200m</u>
TOTAL	€3200m

The Financing Package also provides for short-term facilities being made available in an amount of 1.5 billion Euro, of which the share of the French State is 1.2 billion Euro, until the long-term part of the Financing Package is fully implemented. The Financing Package was approved at an Extraordinary General Meeting held on 18 November 2003.

As at 31 March 2004 the Group would have failed to comply with those covenants related to "consolidated net worth" and "EBITDA". Accordingly the Group obtained agreement from its lenders to suspend the covenants it had previously negotiated until 30 September 2004.

2) The Group obtained bonding and guarantee facilities as a result of the Financing Package agreed in September 2003 of 3500 million Euro, of which 65% was guaranteed by the Republic of France. This facility was sufficient to meet approximately one year of orders and is now expected to be used by the end of the second quarter of the new financial year. The Group has entered into discussions with certain of its main banks to secure access to contract bonding and guarantee facilities.

3) The approval of the European Commission for the Financing Package announced on 22 September 2003 remains outstanding. The investigation will determine whether the Financing Package and certain other transactions with entities controlled by the French State are compatible with the laws of the European common market.

Having considered the matters set out above, the Group has concluded that the going concern principle is the appropriate basis of preparation for the ALSTOM Group consolidated financial statements on the assumption it will be able to:

- Secure contract bonding and guarantee facilities to meet its normal business activity,
- Successfully negotiate new covenants with its lenders,
- Obtain all necessary approvals from the European Commission,
- Generate operating income and cash flow sufficient to respect covenants or waivers being granted, thus ensuring continued availability of debt financing.

Further details on the matters outlined above can be obtained from the ALSTOM Group financial statements.

In relation to the matters outlined above and the continued availability of financial support from ALSTOM the directors of the Company have obtained written confirmation from ALSTOM of ALSTOM's continued financial support for a period of not less than 12 months from the date of approval of these financial statements; and on this basis the directors of the Company consider it appropriate to prepare the financial statements on a going concern basis.

The financial statements do not include any adjustments that would result from the non-availability of either the continued financial support from ALSTOM and/or the Group banking and treasury facilities currently utilised by the Company.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the applicable United Kingdom accounting standards. The particular accounting policies are described below:

(i) Accounting Convention

The financial statements are prepared under the historical cost convention.

(ii) Turnover

Turnover is shown net of V.A.T. The Company records transactions as sales when the delivery of products or performance of services takes place in accordance with the terms of sale.

(iii) Taxation

Taxation on profit on ordinary activities is that which has become or becomes payable in respect of the profits of the period. Deferred taxation is provided in full on timing differences which represent a liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(iv) Currency Translation

Transaction in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

3. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

Taxation on profit on ordinary activities is that which has become or becomes payable in respect of the profit for the year.

	2004 £000	2003 £000
United Kingdom corporation tax at 30%		
(2003: 30%) based on the profit/(loss) for the year	60	95
Adjustment to prior period corporation tax	8	-
	<u>68</u>	<u>95</u>

3. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current and the previous year differs from the standard rate for the reasons set out in the following reconciliation :

	2004 £000	2003 £000
Profit on ordinary activities before tax	<u>200</u>	<u>317</u>
Tax on profit on ordinary activities at standard rate	60	95
<i>Factors affecting charge for the period :</i>		
Adjustment to tax charge in respect of prior periods	<u>8</u>	<u>-</u>
Total actual amount of current tax	<u>68</u>	<u>95</u>

4. PROFIT ON ORDINARY ACTIVITIES

The directors did not receive any remuneration during this year or the prior year. The Company has no employees.

Auditors' remuneration is borne by another group company.

	2004 £000	2003 £000
Interest payable		
- Other	(3)	-
- Exchange loss	<u>(7)</u>	<u>-</u>
	<u>(10)</u>	<u>-</u>
Interest receivable		
- Group	310	301
- Other	<u>4</u>	<u>-</u>
	<u>314</u>	<u>301</u>

5. DEBTORS DUE WITHIN ONE YEAR

	2004 £000	2003 £000
Trade debtors	-	23
Amount owed by group undertakings	9,879	9,212
Other debtors	24	99
Group relief	<u>-</u>	<u>40</u>
	<u>9,903</u>	<u>9,374</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £000	2003 £000
Trade creditors	-	-
Amounts owed to group undertakings	11,464	11,353
Accruals and deferred income	-	20
Corporation tax	227	-
	<u>11,691</u>	<u>11,373</u>

7. CALLED UP SHARE CAPITAL

	2004 £000	2003 £000
Authorised		
2,477,520 ordinary shares of 25p each	619	619
522,480 unclassified shares of 25p each	131	131
	<u>750</u>	<u>750</u>
Called up, allotted and fully paid		
2,477,520 ordinary shares of 25p each	<u>619</u>	<u>619</u>

8. ULTIMATE PARENT COMPANY

The Company's ultimate parent company and ultimate controlling party is ALSTOM a company incorporated in France. The Company's immediate parent company is ALSTOM UK Holdings Ltd.

The largest and smallest group in which the results of the Company are consolidated is that headed by ALSTOM. A copy of ALSTOM's accounts can be obtained from 25 avenue Kléber, 75116 Paris, France or via the ALSTOM website at www.alstom.com.

9. RELATED PARTY TRANSACTIONS

Pursuant to the exemption granted by Financial Reporting Standards 8 "Related Party Disclosures", transactions with other undertakings within the ALSTOM Group have not been disclosed in these financial statements.