

Registered in England and Wales, No. 188137

ALSTOM AUTOMATION INTERNATIONAL LTD

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2003



ALSTOM AUTOMATION INTERNATIONAL LTD

(Registered in England and Wales, No. 188137)

DIRECTORS:

D Allsworth (resigned 28 October 2002)
AD Cledwyn-Davies
J Carter (resigned 30 April 2002)
KE Wanless (appointed 28 October 2002, resigned 30 June 2003)
SJ Gardner (appointed 30 June 2003)

SECRETARY:

AD Cledwyn-Davies

REGISTERED OFFICE:

Newbold Road
Rugby
Warwickshire CV21 2NH

ALSTOM AUTOMATION INTERNATIONAL LTD

DIRECTORS' REPORT

The Directors present their report and the financial statement for the year ended 31 March 2003.

Review of the Company and its Activities

During the year the Company worked towards completion of one existing contract in China. The Company has not taken on nor is active in pursuing new contracts. The majority of the Company's profit in 2003 was financial interest.

RESULTS AND DIVIDENDS

The Company made a profit for the year after taxation of £222,127 (2002: profit £786,511). 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

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1985.

By Order of the Board



S J Gardner
Director

28 November 2003

ALSTOM AUTOMATION INTERNATIONAL LTD

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.

ALSTOM AUTOMATION INTERNATIONAL LTD

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALSTOM Automation International Limited

We have audited the financial statements of ALSTOM Automation International Limited for the year ended 31 March 2003 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Nottingham

8th December

2003

ALSTOM AUTOMATION INTERNATIONAL LTD

PROFIT AND LOSS ACCOUNT Year Ended 31 March 2003

	Note	2003	2002
TURNOVER	2	218,009	5,519,334
COST OF SALES		220,640	5,520,483
GROSS LOSS		<u>(2,631)</u>	<u>(1,149)</u>
Other operating income		18,920	-
OPERATING PROFIT/(LOSS)	4	<u>16,289</u>	<u>(1,149)</u>
Interest receivable		300,638	242,815
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>316,927</u>	<u>241,666</u>
TAX (CHARGE)/CREDIT ON PROFIT ON ORDINARY ACTIVITIES	3	<u>(94,800)</u>	<u>544,845</u>
PROFIT FOR THE FINANCIAL YEAR		222,127	786,511
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD		<u>(2,761,980)</u>	<u>(3,548,491)</u>
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		<u>(2,539,853)</u>	<u>(2,761,980)</u>

Both turnover and operating profit relate to continuing 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.

ALSTOM AUTOMATION INTERNATIONAL LTD

BALANCE SHEET 31 MARCH 2003

	Note	2003 £	2002 £
CURRENT ASSETS			
Debtors	5	9,374,347	9,993,132
Cash at bank and in hand		78,381	1,895
		<u>9,452,728</u>	<u>9,995,027</u>
CREDITORS: amounts falling due within one year	6	<u>(11,373,201)</u>	<u>(12,137,627)</u>
NET CURRENT ASSETS		<u>(1,920,473)</u>	<u>(2,142,600)</u>
CAPITAL AND RESERVES			
Called up share capital	7	619,380	619,380
Profit and loss account		(2,539,853)	(2,761,980)
TOTAL EQUITY SHAREHOLDERS FUNDS		<u>(1,920,473)</u>	<u>(2,142,600)</u>

These financial statements were approved by the Board of Directors on 28 November 2003.



S J Gardner
Director

ALSTOM AUTOMATION INTERNATIONAL LTD

NOTES TO THE ACCOUNTS YEAR ENDED 31 MARCH 2003

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financing of the ALSTOM 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. ALSTOM has incurred significant operating losses and an increasing level of indebtedness as a result of which ALSTOM's ability to meet its financial needs depends on the successful execution of its action plans.

On 12 March 2003 the Chairman of ALSTOM announced a new action plan to address the indebtedness, financing and asset disposal program for the ALSTOM Group. This included the announcement that the Group's Transmission & Distribution Business was part of an extended disposals program. Full details of the plan are given in the financial statements of ALSTOM.

In preparing ALSTOM's consolidated financial statements for the year ended 31 March 2003, ALSTOM's directors used the following main assumptions:

- The shareholders prior to 31 July 2003 would approve at shareholders meetings the principles of a capital increase;
- The financial covenants will be met, renewed or renegotiated as required; and
- Maturing debt will be reimbursed or refinanced as required.

At the Annual General Meeting of ALSTOM held on 2 July 2003 the members approved the principle of a capital increase.

As part of its action plans, ALSTOM has concluded a financing package ("the Financing Package") with its bankers and the French State, the successful implementation of which depends on certain future events. The Financing Package, which was announced on 22 September 2003, and certain other transactions are under investigation by the European Commission. This will enable the Group to repay the existing debt facilities maturing in the first half of 2004, while providing adequate short and medium term liquidity. It will substantially increase the Group's equity and ensure it has adequate contract bonding capacity to support its ongoing business activity level. This agreement includes commitments from the French State. The main features 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
<i>Long-Term Instruments</i>	
Subordinated Bond (French State) with 20 year maturity	€300m
Subordinated Bond (French State) with 15 year maturity	€200m
<i>Medium-Term Loans</i>	
Subordinated Loan (French State) with 5 year maturity	€300m
Subordinated Loans (Banks) with 5 year maturity	€1200m
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. In addition, a syndicate of banks is providing a contract bonding and guarantee facility of 3.5 Billion Euro, counter-guaranteed in part (65%) by the French State, to allow the Group to cover its normal business activity. The Group will have to return to the market for bonding in the fourth quarter of calendar year 2004, when its balance sheet structure will reflect the benefit of the implementation of the Financing Package thereby facilitating access to the bonding market. The Financing Package was approved at an Extraordinary General Meeting held on 18 November 2003. The European Commission has announced it will not object to the implementation of the Financing Package. It has at the same time and as is usual in such circumstances announced that it has opened a formal investigation to determine whether the Financing Package and certain other transactions with entities controlled by the French State are compatible with laws of the European common market.

In relation to 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 accounts; and on this basis the directors consider it appropriate to prepare the accounts on a going concern basis.

The accounts 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.

ALSTOM AUTOMATION INTERNATIONAL LTD

2. ACCOUNTING POLICIES

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

Accounting Convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents the value of work done. The whole of 2003 turnover related to a contract in China.

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.

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.

	2003 £	2002 £
United Kingdom corporation tax at 30% (2002: 30%) based on the profit/(loss) for the year	94,800	72,500
Adjustment to prior period corporation tax	-	(617,345)
	<u>94,800</u>	<u>(544,845)</u>

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 is less than the standard rate for the reasons set out in the following reconciliation :

	2003 £	2002 £
Profit/(loss) on ordinary activities before tax	316,927	241,666
Tax on profit/(loss) on ordinary activities at standard rate	94,800	72,500
<i>Factors affecting charge for the period :</i>		
Adjustment to tax charge in respect of prior periods		(617,345)
Total actual amount of current tax	<u>94,800</u>	<u>(544,845)</u>

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4. OPERATING PROFIT/(LOSS)

The directors did not receive any remuneration during this year or the prior year.

Auditors' remuneration is borne by the parent company.

5. DEBTORS DUE WITHIN ONE YEAR

	2003 £	2002 £
Trade debtors	22,709	-
Amount owed by group undertakings	9,211,997	8,593,691
Other debtors	99,191	99,191
Group relief	40,450	1,300,250
	<u>9,374,347</u>	<u>9,993,132</u>

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Trade creditors	-	668,856
Amounts owed to group undertakings	11,353,472	11,449,041
Accruals and deferred income	19,729	19,730
	<u>11,373,201</u>	<u>12,137,627</u>

7. CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised		
2,477,520 ordinary shares of 25p each	619,380	619,380
522,480 unclassified shares of 25p each	130,620	130,620
	<u>750,000</u>	<u>750,000</u>
Called up, allotted and fully paid		
2,477,520 ordinary shares of 25p each	<u>619,380</u>	<u>619,380</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.