

REGISTERED IN ENGLAND & WALES NO 778482

ALSTOM UK Ltd

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2001



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**OFFICERS AND PROFESSIONAL ADVISERS****DIRECTORS**

Mr D Allsworth	(appointed 1 November 2000)
Mr P S Barron	(appointed 22 September 2000)
Mr A D Cledwyn-Davies	(appointed 17 April 2002)
Dr C A Palmer	
Mr D Thomas	
M. J P H Bilger	(resigned 1 May 2002)
Mr M G Connor	(resigned 31 August 2000)
Mr J B Cronin	(resigned 19 May 2001)
Mr A P Hibbert	(appointed 1 June 2000, resigned 1 May 2002)
Mr I D Kellitt	(appointed 1 June 2000, resigned 1 May 2002)
Mr K Kruit	(appointed 1 June 2000, resigned 1 May 2002)
Dr M R Lloyd	(resigned 1 May 2002)
M. R P Mahler	(appointed 1 June 2000, resigned 1 May 2002)
Mr J W Milner	(resigned 1 May 2002)
Mr C J Murray	(resigned 1 May 2002)
M. F C Newey	(appointed 1 June 2000, resigned 1 May 2002)
Mr K J Ralls	(resigned 1 May 2002)
Mr N R Salmon	(appointed 22 September 2000, resigned 1 May 2002)
M. P C M Soulié	(appointed 1 June 2000, resigned 1 May 2002)
Mr C D Tilston	(resigned 1 May 2002)

**SECRETARY**

Mr A D Cledwyn-Davies

**REGISTERED OFFICE**

Newbold Road  
RUGBY  
Warwickshire  
CV21 2NH

**BANKERS**

Lloyds TSB Bank plc  
HSBC Bank plc  
National Westminster Bank Plc

**AUDITORS**

Arthur Andersen  
180 Strand  
LONDON WC2R 1BL

Deloitte & Touche  
Colmore Gate  
2 Colmore Row  
BIRMINGHAM B3 2BN

## **DIRECTORS' REPORT**

The directors present their report and the financial statements for the year ended 31 March 2001.

### **REVIEW OF THE COMPANY AND ITS ACTIVITIES**

The principal activity of the Company during the year was electrical and mechanical engineering for the power transmission and distribution and rail transportation industries.

Sales by the Company in the year ended 31 March 2001 were £847,726,000 (2000 : £604,989,000). Turnover on continuing operations reflects the long term nature of the contracts involved. The loss for the year on ordinary activities after taxation was £105,309,000 (2000 Profit : £43,569,000). The Board do not recommend the payment of a dividend in respect of the current year (2000 : Nil).

The financial year to 31 March 2002 has commenced in line with expectations. The post balance sheet note below provides details of a reorganisation which affected the Company.

### **POST BALANCE SHEET EVENTS**

On 20 July 2001 and 3 August 2001, the Company disposed of its electrical contracting businesses at a total profit before tax of approximately £639,000.

On 21 September 2001, the Company disposed of its 51% holding in GT Railway Maintenance Holdings Limited at a profit before tax of approximately £34,184,000.

As part of a reorganisation of ALSTOM in the United Kingdom, the Company transferred the majority of its business interests to ALSTOM Ltd at net book value with effect from 31 March 2002. During March and April 2002 the Company transferred certain of its investments at net book value to other ALSTOM Group companies. The Company has retained ownership of certain of its investments and fixed assets.

### **RESEARCH AND DEVELOPMENT**

During the financial year, some £19,890,000 was invested in research and development activities by the Company utilising both 'in-house' and external facilities. The Company's developments in this area are co-ordinated with those of other members of the ALSTOM Group throughout the world. The Company benefits from the technological developments of non-UK ALSTOM Group companies and vice versa.

### **DIRECTORS**

The directors who held office during the year and subsequently are noted on page 1.

### **DIRECTORS' INTERESTS**

According to the register, kept by the Company in accordance with Section 325 of the Companies Act 1985, as at 31 March 2001, none of the directors had any disclosable interests in the shares or debentures of the Company or its ultimate parent company.

**HEALTH & SAFETY AT WORK,  
ENVIRONMENTAL PROTECTION AND EMPLOYMENT OF DISABLED PERSONS**

ALSTOM UK Ltd recognises the importance and implications of the Health & Safety at Work etc Act 1974, the Environmental Protection Legislation, and all new Health & Safety legislation especially that being promulgated through EU Directives. In conjunction with its insurance brokers the Company has introduced a series of Health & Safety and risk management programmes to ensure compliance throughout the Company with the increasing complexities of Health & Safety legislation and to reduce the incidence of hazardous circumstances that might affect the health and safety of employees.

Environmental and health and safety issues are also addressed by insurance brokers and external consultants including implementation of regular environmental audits at UK locations.

It is the practice of ALSTOM UK Ltd to encourage and assist the employment of disabled persons and to ensure equal opportunities regarding their recruitment, training, career development and promotion.

**EMPLOYEE PARTICIPATION**

It is the policy of the Company to provide information to employees and their trade union representatives. Annual reports to employees are made through National Joint Consultative Council meetings. Topics covered in the last year included Company performance, current and future business prospects. Additionally, throughout the Company's units, regular meetings take place with employees and employee representatives to provide information about the business performance. The ALSTOM Group has also formed a European Works Forum which meets regularly with employee representatives to discuss significant issues of a trans-national nature. ALSTOM publishes a number of employee and management newsletters and magazines throughout the year. During the year a Pensions Consultative Committee was formed in order to support the creation of the ALSTOM Pension Scheme. A regular Pensions Newsletter "Dimensions" was also launched in this respect.

**CHARITABLE DONATIONS**

The Company made charitable donations during the year of £51,992 (2000: £49,900).

**AUDITORS**

It is proposed that Messrs Arthur Andersen and Deloitte & Touche will be reappointed as joint auditors to the Company for the current financial year and a resolution to this effect will be proposed at the forthcoming Annual General Meeting of the Company.

Approved by the Board of Directors and signed on behalf of the board.



ALSTOM UK Ltd  
D Allsworth, Director  
Newbold Road, RUGBY  
Warwickshire, CV21 2NH

14 May 2002

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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.

## **AUDITORS' REPORT TO THE MEMBERS OF ALSTOM UK Ltd**

We have audited the financial statements on pages 6 to 28 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 10 and 11.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 4 the Company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

### **BASIS OF 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 relevant 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.

### **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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen  
Chartered Accountants and Registered Auditors  
180 Strand  
LONDON WC2R 1BL



Deloitte & Touche  
Chartered Accountants and Registered Auditors  
Colmore Gate  
2 Colmore Row  
BIRMINGHAM B3 2BN

14 May 2002

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2001**

	Notes	2001 £000	2000 £000
<b>TURNOVER</b>	(2), (3)		
Continuing operations		725,000	494,465
Acquisitions		122,726	---
		<u>847,726</u>	<u>494,465</u>
Discontinued operations		---	110,524
Total turnover		<u>847,726</u>	<u>604,989</u>
Cost of sales		<u>(900,276)</u>	<u>(582,818)</u>
Gross (loss)/profit		<u>(52,550)</u>	<u>22,171</u>
Distribution costs		<u>(33,939)</u>	<u>(34,404)</u>
Administrative expenses		<u>(42,466)</u>	<u>(58,195)</u>
<b>OPERATING LOSS</b>			
Continuing operations		(131,125)	(28,687)
Acquisitions		2,170	---
		<u>(128,955)</u>	<u>(28,687)</u>
Discontinued operations		---	(41,741)
Total operating loss	(3)	<u>(128,955)</u>	<u>(70,428)</u>
(Loss)/Profit on disposal of businesses	(5b)	<u>(727)</u>	<u>27,662</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		<u>(129,682)</u>	<u>(42,766)</u>
Income from shares in group undertakings		29,960	49,892
Income from participating interests		338	203
Interest receivable	(4)	1,841	868
Amounts written off investments	(10)	(31,983)	(20,326)
Interest payable and similar charges	(4)	<u>(16,757)</u>	<u>(15,298)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	(4)	<u>(146,283)</u>	<u>(27,427)</u>
Tax on loss on ordinary activities	(6)	<u>40,974</u>	<u>70,996</u>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<u>(105,309)</u>	<u>43,569</u>
Dividends	(7)	---	---
Retained (loss)/profit for the financial year		<u>(105,309)</u>	<u>43,569</u>

There were no other recognised gains or losses during the current or previous years.



**STATEMENTS OF MOVEMENTS ON RESERVES  
FOR THE YEAR ENDED 31 MARCH 2001**

	Share Premium £000	Revaluation Reserve £000	Profit & Loss Account £000	Total £000
Balance at 1 April 2000	90,617	31,660	4,324	126,601
Loss retained for the year	---	---	(105,309)	(105,309)
Transfer of amount equivalent to additional depreciation on revalued assets	---	(333)	333	---
Realisation of property valuation gains	---	(740)	740	---
Balance at 31 March 2001	<u>90,617</u>	<u>30,587</u>	<u>(99,912)</u>	<u>21,292</u>

**BALANCE SHEET AS AT 31 MARCH 2001**

	Notes	2001 £000	2000 £000
<b>FIXED ASSETS</b>			
Intangible assets - goodwill	(8)	33,040	8,967
Tangible assets	(9)	112,178	105,472
Investments	(10)	176,181	250,758
		<u>321,399</u>	<u>365,197</u>
<b>CURRENT ASSETS</b>			
Stocks and contracts in progress	(11)	174,184	253,994
Debtors			
Amounts falling due within 1 year	(12)	395,955	462,446
Amounts falling due after more than 1 year	(12)	39,684	49,461
Cash at bank and in hand		51,157	24,381
		<u>660,980</u>	<u>790,282</u>
<b>CREDITORS</b>			
Amounts falling due within one year	(13)	667,250	801,155
<b>NET CURRENT LIABILITIES</b>			
		<u>(6,270)</u>	<u>(10,873)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		315,129	354,324
<b>CREDITORS</b>			
Amount falling due after more than one year	(14)	---	(20,006)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
	(15)	<u>(178,860)</u>	<u>(92,740)</u>
<b>NET ASSETS</b>			
		<u>136,269</u>	<u>241,578</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	(16)	114,977	114,977
Share premium account		90,617	90,617
Revaluation reserve		30,587	31,660
Profit and loss account		<u>(99,912)</u>	<u>4,324</u>
<b>EQUITY SHAREHOLDERS' FUNDS</b>			
		<u>136,269</u>	<u>241,578</u>

These financial statements were approved by the Board of Directors on 14 May 2002.

Signed on behalf of the Board of Directors

  
D Allsworth

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) Directors  
)  
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D Thomas

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS  
FOR THE YEAR ENDED 31 MARCH 2001**

	2001 £000	2000 £000
(Loss)/profit for the financial year	(105,309)	43,569
Opening shareholders' funds	241,578	198,009
Closing shareholders' funds	<u>136,269</u>	<u>241,578</u>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES  
FOR THE YEAR ENDED 31 MARCH 2001**

	2001 £000	2000 £000
Loss on ordinary activities before taxation	(146,283)	(27,427)
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	333	303
Realisation of property valuation gains	740	3,413
Historical cost loss on ordinary activities before taxation	<u>(145,210)</u>	<u>(23,711)</u>
Historical cost (loss)/profit for the year after taxation and dividends	<u>(104,236)</u>	<u>47,285</u>

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

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

- a. **Accounting convention.** The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets. The Company has adopted the transitional arrangements of Financial Reporting Standard No 15 and has retained the carrying value of fixed assets which have been revalued historically. The valuation is not being updated.
- b. **Basis of preparation and use of estimates.** ALSTOM UK Ltd has taken advantage of the exemption from the obligation to prepare and deliver group accounts, as it is an indirect wholly owned subsidiary of ALSTOM which itself prepares consolidated financial statements. ALSTOM is incorporated in France and its principal place of business is 25 avenue Kléber, 75795 Paris Cedex 16. The financial statements present information about the Company as an individual undertaking and not about its Group. The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. Management reviews its estimates on an ongoing basis using currently available information. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates.
- c. **Turnover.** Turnover is shown net of V.A.T. and comprises sales to customers outside the Company. The Company records transactions as sales when the delivery of products or performance of services takes place in accordance with the terms of sale.
- d. **Currency Translation.** Transactions in foreign currencies are recorded at the rate ruling at the date of the 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.
- e. **Intangible fixed assets.** On the acquisition of a business, the difference between the cost of acquisition and the fair value of the net separable assets is treated as purchased goodwill.  
  
Goodwill is amortised on a straight line basis over 20 years or a lesser period where economic prospects or contract terms dictate.
- f. **Tangible fixed assets.** Property, plant, machinery, fixtures, fittings, tools and equipment are recorded at historical cost or modified historical cost and depreciated on a straight-line basis over their estimated useful lives. Freehold land does not bear depreciation where the original cost of purchase was separately identified.

#### Depreciation Rates:

- Freehold buildings - 4% per annum;
- Leasehold property - over period of lease or 50 years for long leases;
- Plant, machinery, fixtures, fittings and other equipment – between 10% and 33% per annum;
- Industrial tools - 33.33% per annum.

## 1. ACCOUNTING POLICIES (continued)

Government grants received against the purchase of tangible fixed assets are added to other creditors and released to profit and loss account as other income over the life of the asset to which they relate.

- g. **Research and development.** Expenditure incurred in the year is charged against profit unless specifically chargeable to and recoverable from customers under agreed contract terms.
- h. **Stocks and contracts in progress.** Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads. Provisions are made for any losses incurred or expected to be incurred on uncompleted contracts. Profit on long-term contracts in progress is taken when a sale is recorded on part-delivery of products or part-performance of services, provided that the outcome of the contract can be assessed with reasonable certainty. Advance payments received from customers are shown as prepayments on account of contracts until there is a right of set-off against the value of work undertaken. Progress payments received are deducted from the value of work carried out, any excess being included within payments received on account of contracts.
- i. **Taxation.** Taxation on profit on ordinary activities is that which has become or becomes payable in respect of the profits of the year. Deferred taxation is provided at the rate of corporation tax expected to arise in the year of assessment on timing differences arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.
- j. **Investments.** Fixed asset investments and the Company's investment in shares in Group Companies are stated at cost less provision for impairment.
- k. **Provisions for liabilities and charges.** Provisions for liabilities are normally charged against profits. These mainly comprise expected cost of maintenance under guarantees and other work in respect of products delivered and invoiced and losses on contract work in progress.
- l. **Pension schemes.** Based on recommendations by independent actuaries, the rates of employee and Company contributions to the United Kingdom pension fund is intended, in respect of each year, to provide sufficient funds to meet future benefits relating to that year's service. It is the policy of the Company to avoid the creation of deficits relating to past service. Contributions, the Company's share of which is charged against profits for the year, are held in trustee-administered Funds independent of the Company's finances.
- m. **Operating Leases.** Rental costs under operating leases are charged to profit and loss account in equal annual amounts over the period of the leases.
- n. **Cash flow statement.** The directors have taken advantage of the exemption contained in Financial Reporting Standard No 1 from preparing a cash flow statement on the grounds that the Company is a wholly owned subsidiary of ALSTOM which itself has prepared a consolidated cash flow statement incorporating the Company.

## 2. TURNOVER

The geographical analysis of turnover by destination is as follows :

	2001 £000	2000 £000
United Kingdom	648,879	411,458
Europe	88,307	61,171
The Americas	49,610	46,238
Australasia	3,687	5,925
Asia	40,495	70,482
Middle East and Africa	16,748	9,715
	<u>847,726</u>	<u>604,989</u>

## 3. ANALYSIS OF CONTINUING AND DISCONTINUED OPERATIONS

	2001				2000		
	Continuing £000	Acquired £000	Dis- continued £000	Total £000	Continuing £000	Dis- continued £000	Total £000
Sales	725,000	122,726	---	847,726	494,465	110,524	604,989
Cost of Sales	(795,206)	(105,070)	---	(900,276)	(445,432)	(137,386)	(582,818)
Gross profit/(loss)	(70,206)	17,656	---	(52,550)	49,033	(26,862)	22,171
Distribution costs	(28,633)	(5,306)	---	(33,939)	(27,918)	(6,486)	(34,404)
Administrative expenses	(32,286)	(10,180)	---	(42,466)	(49,802)	(8,393)	(58,195)
Operating profit/(loss)	<u>(131,125)</u>	<u>2,170</u>	<u>---</u>	<u>(128,955)</u>	<u>(28,687)</u>	<u>(41,741)</u>	<u>(70,428)</u>

The comparatives for the year ended 31 March 2000 for cost of sales and administrative expenses, continuing operations, have been restated for consistency with the disclosure in the year ended 31 March 2001. There is no effect on operating loss disclosure.

**4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2001 £000	2000 £000
Loss on ordinary activities before taxation is after charging/(crediting):		
Rentals under operating leases		
Hire of plant and machinery	1,453	642
Other operating leases	3,801	2,243
Depreciation and other adjustments	19,487	20,072
Amortisation of goodwill	1,546	572
Staff costs	192,715	207,497
Research and development	19,890	18,310
Auditors' remuneration		
Audit Services	453	411
Other	187	59
Loss/(profit) on disposal of businesses (note 5b)	727	(27,662)
Interest payable on bank loans, overdraft and other loans, repayable within five years		
- Group	7,777	9,882
- Other	8,980	5,416
Interest receivable		
- Group	---	---
- Other	(1,841)	(868)

## 5. ACQUISITIONS, DISPOSALS AND GOODWILL

### a) Acquisitions

With effect from 1 April 2000, the Company acquired the trade and certain assets and liabilities of ALSTOM T&D Systems Ltd at net book value, which represented fair value. The net assets acquired were as follows :

	<u>£000</u>
Tangible fixed assets	845
Stocks and work in progress	1,855
Debtors	19,084
Cash	18,713
Creditors	(24,480)
Provisions for liabilities and charges	<u>(3,174)</u>
Consideration left on intercompany account	<u>12,843</u>

With effect from 1 August 2000, the Company acquired the trade and certain assets and liabilities of ALSTOM Wessex Traincare Ltd at net book value, which represented fair value. The net assets acquired were as follows :

	<u>£000</u>
Tangible fixed assets	5,261
Stocks and work in progress	5,294
Debtors	11,932
Creditors	(12,647)
Provisions for liabilities and charges	<u>(7,361)</u>
Consideration left on intercompany account	<u>2,479</u>

On 19 April 2000, the Company acquired the industrial and commercial contracting and facility management activities of Norweb plc for a cash receipt of £1,333,000. The amount of goodwill arising as a result of the acquisition is £1,943,000 which is being amortised on a straight line basis over 20 years.



## 5. ACQUISITIONS, DISPOSALS AND GOODWILL (continued)

The following table summarises the adjustments made to the book value of the major category of assets and liabilities acquired to arrive at the provisional fair values included in the financial statements.

	Book Amount £000	Alignment of Accounting Policies £000	Fair Value £000
Tangible fixed assets	579	(281)	298
Stocks and work in progress	34	(34)	---
Debtors	663	(307)	356
Creditors	(3,809)	---	(3,809)
	<u>(2,533)</u>	<u>(622)</u>	<u>(3,155)</u>
Less costs of acquisition			(121)
Goodwill			<u>1,943</u>
Consideration - Cash			<u>(1,333)</u>

The adjustments to fixed assets are to write off certain revenue items and adjust to the ALSTOM depreciation policy. The adjustment to stock and debtors is to adjust the interim profit held in WIP to ALSTOM policy.

On 13 July 2000, the Company acquired the industrial and commercial contracting and facility management activities of Scottish Power UK plc for a consideration of £10,451,000. The amount of goodwill arising as a result of the acquisition is £23,676,000 which is being amortised on a straight line basis over 20 years.

The following table summarises the adjustments made to the book value of the major category of assets and liabilities acquired to arrive at the provisional fair values included in the financial statements.

	Book Amount £000	Revaluation £000	Fair Value £000
Tangible fixed assets	708	333	1,041
Stocks and work in progress	104	---	104
Debtors	684	---	684
Creditors	(12,894)	(1,100)	(13,994)
Provisions for liabilities and charges	(150)	---	(150)
	<u>(11,548)</u>	<u>(767)</u>	<u>(12,315)</u>
Less costs of acquisition			(910)
Goodwill			<u>23,676</u>
Consideration - Cash			<u>10,451</u>

The adjustment to fixed assets is to an agreed valuation of the assets. The adjustments to creditors represent understated accruals.

**5. ACQUISITIONS, DISPOSALS AND GOODWILL (continued)**

The majority of the acquired business was disposed of post year end (see Note 21).

**b) Disposals**

	2001 £000	2000 £000
Loss on disposal of ALSTOM Engines Ltd	(727)	---
Profit on disposal of Energy Business	---	39,445
Provision for loss on disposal of ALSTOM Automation Ltd	---	(8,496)
Loss on disposal of Handling Business	---	(3,048)
Loss on disposal of Gears Business	---	(239)
	<u>(727)</u>	<u>27,662</u>

On 4 May 2000, the Company disposed of its investment in ALSTOM Automation Ltd together with its indirect investment in ALSTOM Automation Systems Ltd (wholly owned by ALSTOM Drives & Controls Ltd), at a loss of £8,496,000. This was provided in the prior year.

On 9 June 2000, the Company disposed of its investment in ALSTOM Engines Ltd and underlying subsidiary companies, at a loss of £727,000.

**c) Goodwill**

Goodwill capitalised in the current financial year under the accounting policy stated in note 1 amounted to £25,619,000.

**6. TAX ON LOSS ON ORDINARY ACTIVITIES**

a)	2001 £000	2000 £000
United Kingdom Corporation Tax 30% (2000 - 30%) based on the loss for the year	10,797	4,341
Deferred taxation	32,212	16,418
	<u>43,009</u>	<u>20,759</u>
Adjustment to prior year's tax provisions		
- Current taxation	19,499	20,737
- Deferred taxation	<u>(21,534)</u>	<u>29,500</u>
	<u>40,974</u>	<u>70,996</u>

The tax credit for the current year is low in relation to the loss on ordinary activities before taxation, due primarily to the amounts written off investments (tax effect £9,460,000) offset by the receipt of non-taxable dividends (tax effect £8,980,000). The adjustment to prior year's tax provisions is mainly due to the repayment of tax relating to utilisation of tax losses in earlier periods.

b)	Deferred Taxation Asset	£000
At 1 April 2000	(50,597)	
Credited to profit & loss account	(10,678)	
Transfers from group companies	<u>(1,455)</u>	
At 31 March 2001		<u>(62,730)</u>

The amount provided for deferred taxation at 30% (2000 - 30%) is set out below :

	Amount provided/(recognised)	
	2001 £000	2000 £000
Accelerated capital allowances	211	392
Other timing differences	398	(4,778)
Losses	<u>(63,339)</u>	<u>(46,211)</u>
	<u>(62,730)</u>	<u>(50,597)</u>

There are no amounts unrecognised.

**7. DIVIDENDS**

The Directors do not recommend the payment of a dividend in respect of the current year (2000 - Nil).

**8. INTANGIBLE FIXED ASSETS**

Goodwill arising on the acquisition of businesses :

<b>Cost</b>	<u>£000</u>
Balance at 1 April 2000	10,584
Additions during the year	<u>25,619</u>
Balance at 31 March 2001	<u>36,203</u>
 <b>Amortisation</b>	
Balance at 1 April 2000	1,617
Charge for the year	<u>1,546</u>
Balance at 31 March 2001	<u>3,163</u>
 <b>Net Book Value</b>	
At 31 March 2001	<u>33,040</u>
At 31 March 2000	<u>8,967</u>

**9. TANGIBLE FIXED ASSETS**

	Total	Land & Buildings	Plant & Machinery	Other Fixed Assets	Payments on Account & Assets Under Construction
	£000	£000	£000	£000	£000
<b>Cost or modified historical cost</b>					
as at 1 April 2000	285,416	67,680	199,576	17,649	511
Additions	21,824	3,273	8,573	8,225	1,753
Acquisition of businesses	17,767	6,865	7,596	3,306	---
Transfer from Group Company	4,362	4,362	---	---	---
Disposals	(22,838)	(1,417)	(13,659)	(7,749)	(13)
Other Adjustments	3,944	23,622	(23,664)	4,060	(74)
At 31 March 2001	310,475	104,385	178,422	25,491	2,177
<b>Accumulated Depreciation</b>					
as at 1 April 2000	179,944	11,117	157,190	11,637	---
Charge to Profit and Loss Account	19,487	2,599	10,047	6,841	---
Disposals	(19,010)	(456)	(12,006)	(6,548)	---
Acquisition of businesses	10,322	2,062	5,895	2,365	---
Transfer from Group Company	3,610	3,610	---	---	---
Other Adjustments	3,944	19,507	(19,234)	3,671	---
At 31 March 2001	198,297	38,439	141,892	17,966	---
<b>Net Book Value</b>					
At 31 March 2001	112,178	65,946	36,530	7,525	2,177
At 31 March 2000	105,472	56,563	42,386	6,012	511

**9. TANGIBLE FIXED ASSETS (Continued)**

## Notes

- a) During 1991 the freehold properties of the Company were revalued as at 1 April 1989 consistent with the accounting policies of its then parent, GEC ALSTHOM NV. The properties are reflected in the balance sheet net of additional depreciation resulting from the revaluation.

The valuation was based on an open market existing use with vacant possession and was carried out by the Group Property Director of The General Electric Company, p.l.c. If the properties had been realised at this valuation, no liability to taxation would have arisen for the Company.

The transitional arrangements of Financial Reporting Standard No 15 are being adopted in the case of these freehold properties and the Company is not continuing the revaluation policy relating to the assets. They will be carried at modified historical cost.

- b) For the land and buildings included at cost or modified historical cost (the 1991 valuation), the historical cost and accumulated depreciation is as follows:

	<u>£000</u>
Historical cost:	
At 1 April 2000	54,421
At 31 March 2001	92,317
Depreciation based on cost:	
At 1 April 2000	29,518
At 31 March 2001	<u>56,858</u>

- c) Tangible fixed assets acquired under capital leases are not significant compared to gross book value.
- d) £28,039,000 is included in freehold land and buildings in respect of land which is not depreciated.

**10. INVESTMENTS HELD AS FIXED ASSETS**

	2001 £000	2000 £000
Shares in group undertakings	136,121	217,233
Participating Interests	40,060	33,525
	<u>176,181</u>	<u>250,758</u>

All of the above investments are unlisted. Additional information in respect of the investments is given below.

	£000
a) Shares in group undertakings	
<b>Cost</b>	
At 1 April 2000	217,233
Amounts written off	(448)
Adjustments and reclassifications	2,471
Disposals	<u>(51,600)</u>
At 31 March 2001	<u>167,656</u>
<b>Provisions</b>	
At 1 April 2000	---
Provided in year	<u>31,535</u>
At 31 March 2001	<u>31,535</u>
<b>Net book value</b>	
At 31 March 2001	<u>136,121</u>
At 31 March 2000	<u>217,233</u>
b) Participating Interests *	
At 1 April 2000	33,525
Additions at cost	<u>6,535</u>
At 31 March 2001	<u>40,060</u>

\* Representing the Company's 40% interest in the paid-in share capital in French Investment Guangxi Laibin Electric Power Company Ltd, the principal activity of which is to design, invest, construct, own and operate the Guangxi Laibin B power plant.

Details of major group companies are given in Note 20.

**11. STOCKS AND CONTRACTS IN PROGRESS**

	2001 £000	2000 £000
Raw materials and bought out components	39,239	33,212
Work in progress	30,965	90,715
Payments on account	(7,476)	(4,161)
Long term contract work in progress	213,639	281,024
Payments on account	(107,580)	(151,406)
Finished goods	5,397	4,610
	<u>174,184</u>	<u>253,994</u>

There are no significant differences between the replacement cost of stocks and the amount at which they are stated in the financial statements.

**12. DEBTORS**

	2001 £000	2000 £000
<b>Amounts falling due within one year -</b>		
Amounts recoverable on contracts	35,732	102,085
Trade debtors	157,632	145,218
Owed by group companies	119,841	164,395
Other debtors	38,895	34,773
Prepayments and accrued income	9,689	10,839
Tax recoverable	11,120	3,553
Deferred tax (note 6b)	23,046	1,583
	<u>395,955</u>	<u>462,446</u>

**Amounts falling due after more than one year -**

Trade debtors	---	447
Deferred tax (note 6b)	39,684	49,014
	<u>39,684</u>	<u>49,461</u>
<b>Total debtors</b>	<u>435,639</u>	<u>511,907</u>



**13. CREDITORS: AMOUNTS FALLING DUE  
WITHIN ONE YEAR**

	2001 £000	2000 £000
Bank loans and overdrafts (unsecured)	106,594	---
Financial debt	---	149,000
Payments received on account	106,301	101,656
Trade creditors	115,741	93,522
Owed to group companies	216,775	357,952
Taxation & social security	18,091	13,633
Other creditors	50,471	62,916
Accruals & deferred income	53,277	22,476
	<u>667,250</u>	<u>801,155</u>

**14. CREDITORS : AMOUNTS FALLING DUE  
AFTER MORE THAN ONE YEAR**

	2001 £000	2000 £000
Bank loans and overdrafts (unsecured)	---	20,006

**ANALYSIS OF BORROWINGS**

	2001 £000	2000 £000
Bank loans and overdrafts	106,594	20,006
Financial debt	---	149,000
	<u>106,594</u>	<u>169,006</u>
Repayable		
In one year or less or on demand	106,594	149,000
In more than one year but not more than two years	---	20,006
	<u>106,594</u>	<u>169,006</u>

**15. PROVISIONS FOR LIABILITIES AND CHARGES**

	Warranty	Contract Losses	Penalties and Claims	Rest'ing and Reorg'	Other	Pension	Total
	£000	£000	£000	£000	£000	£000	£000
At 1 April 2000	22,278	17,785	13,906	38,137	634	---	92,740
Utilised during year	(9,354)	(18,654)	(10,113)	(29,703)	(4,044)	(725)	(72,593)
Charged to profit and loss account	15,683	117,444	1,648	(3,164)	10,652	689	142,952
On acquisition of business	2,754	1,827	844	846	1,634	2,780	10,685
Other movements	1,297	4,817	(1,175)	(58)	195	---	5,076
At 31 March 2001	32,658	123,219	5,110	6,058	9,071	2,744	178,860

## Notes :

1. Warranty – The provision is established to recognise known and expected claims against delivered products or services within the contractual guarantee periods for such sales. The expenditure is expected to be mainly incurred over the next 12 to 30 months of the Balance Sheet date, ie, the contractual warranty periods.
2. Contract Losses – The provision for the expected losses on contracts which have been sold at a negative gross margin. This provision will be utilised over the lives of the contracts to which it relates.
3. Penalties and Claims – These provisions relate to the anticipated risks related to non-performance in respect of contractual terms for delivery and performance. The utilisation of these provisions is anticipated within 2 years.
4. Restructuring and Reorganisation – These provisions were set up to cover the costs of ongoing reorganisation of the Company including costs of reducing manpower and relocating premises. They are expected to be utilised within 12 months of the year end.
5. Other Provisions – These are provisions of a miscellaneous nature which relate to the local needs of the businesses.
6. Pension – The provision represents the excess of accumulated pension costs over the amounts funded in relation to an acquired business and is distinct from the ALSTOM Pension Scheme (Note 19).

The provisions disclosed have not been discounted as the result would not be material.

**16. CALLED UP SHARE CAPITAL**

	Authorised	Allotted and fully paid
	£000	£000
114,977,227 Ordinary Shares of £1 each		
At 31 March 2000 and 2001	114,977	114,977

**17. COMMITMENTS****a) Operating Lease Commitments**

At 31 March 2001 the Company was committed to making the following payments during the next financial year in respect of operating leases:

	2001		2000	
	Land & Buildings £000	Other £000	Land & Buildings £000	Other £000
Lease which expire :				
Within one year	21	1,582	12	495
In one to two years	---	1,324	---	445
In two to five years	36	1,319	---	801
After 5 years	1,260	8	592	---
	<u>1,317</u>	<u>4,233</u>	<u>604</u>	<u>1,741</u>

**b) Capital Commitments**

	2001 £000	2000 £000
Contracted for but not provided in the financial statements	<u>1,830</u>	<u>4,415</u>

**c) Other Commitments**

There are contingent liabilities at 31 March 2001 in respect of bonds, guarantees and indemnities entered into as part of the Company's ordinary course of business. These bonds, guarantees and indemnities relate primarily to long term contracts and guarantee the contractual performance under contracts with customers, and under offers on tenders. The projects on which the guarantees are given are regularly reviewed by management and where it becomes probable that the Company will be obliged to make payments pursuant to any contract performance, amounts are accrued and included in Provisions for Liabilities and Charges.

**18. DIRECTORS AND EMPLOYEES**

	2001 No.	2000 No.
a) Average total employees		
By function :		
Manufacturing and engineering	5,865	5,827
Commercial	512	475
Management and administration	1,515	896
	<u>7,892</u>	<u>7,198</u>
	2001 £000	2000 £000
Employee Costs		
Gross remuneration	169,935	180,361
Social Security Costs	15,596	18,289
Pension Costs	7,184	8,847
	<u>192,715</u>	<u>207,497</u>
	2001 £	2000 £
b) Directors' remuneration		
Emoluments	732,220	586,377
Compensation for loss of office	640,000	---
	<u>1,372,220</u>	<u>586,377</u>
	2001 No.	2000 No.
Number of directors who are members of a defined benefit pension scheme	<u>6</u>	<u>5</u>
	2001 £	2000 £
Highest paid director's remuneration (excluding pension contributions)	<u>138,881</u>	<u>185,043</u>

The amount of the accrued pension of the highest paid director at 31 March 2001 is £25,048 (31 March 2000 £82,208) and an accrued lump sum at 31 March 2001 of £11,100 (31 March 2000 Nil).

The above disclosure reflects those directors whose activities are carried out wholly in respect of services rendered as directors of ALSTOM UK Ltd.

Messrs J P H Bilger and J B Cronin were remunerated by the ultimate parent company and it is not practicable to allocate their remuneration between their services as directors of various Group companies.

Messrs M R Lloyd, J W Milner, C J Murray and N R Salmon, whilst directors of ALSTOM UK Ltd are remunerated by this Company only as agent since they carry on their duties overseas on behalf of the ultimate parent company. It is not practicable to allocate their remuneration between their services as directors of various Group companies. Consequently they are not included in the above analysis.

## **19. PENSION SCHEMES**

ALSTOM UK Ltd operates a funded defined benefit pension scheme known as the ALSTOM Pension Scheme ("the Scheme"). The Scheme's funds are administered by a Trustee and are independent of company finances. Investment of the Scheme's assets in ALSTOM group companies is not permitted by the Trustee.

The pension cost relating to the Scheme is assessed in accordance with the advice of independent actuaries and is charged so as to spread the cost of pensions over the estimated service lives of the employees who are Scheme members.

The first actuarial valuation by the Scheme Actuary was carried out as at 5 April 2000 using the projected unit method. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase of salaries and pensions. It was assumed that the investment return would be 5.5% per annum, that increases in pensionable earnings would average 4.0% per annum and that pensions would increase at the rate of 2.4% per annum. The assets were taken at their market value.

At the date of the valuation, the market value of the assets of the Scheme was £1,077 million and this was equal to 102% of the value of the benefits that had accrued to members allowing for expected future increases in earnings.

In advance of the results of the first formal valuation of the Scheme being available, the Scheme Actuary advised that, allowing for member contributions of 3%, Company contributions of 6.6% of pensionable earnings should be paid for the year ended 31 March 2001. Accordingly, the pension cost charge for the Scheme for the year ended 31 March 2001 amounted to £7,184,000 (2000 £8,847,000).

The first actuarial valuation of the Scheme has confirmed the above contribution rates.

## **20. MAJOR HOLDINGS IN SUBSIDIARIES**

The trading activities of the Company include the activities of its subsidiaries which act as agents for the Company. The main trading subsidiary companies, all of which are registered in England and Wales and 100% owned, except where noted, are :

Company	Activity
ALSTOM Transport Hong Kong Ltd	Railway Coaches
ALSTOM T&D Systems Ltd (+ +)	Substation Project Management
ALSTOM Power Conversion Ltd	Electrical Control Systems
ALSTOM NL Service Provision Ltd	Train Leasing Services
GT Railway Maintenance Ltd (51%) *	Rail Track and Trackside
	Equipment Maintenance
ALSTOM Wessex Traincare Ltd	Train Maintenance Services
West Coast Traincare (Holdings) Ltd (51%)	Supply and maintenance of train carriages
ALSTOM T&D Power Electronics International Ltd )	
ALSTOM Signalling International Ltd )	Contract Services
ALSTOM Traction International Ltd )	

(+) Held by subsidiary undertaking

(+ +) 50% held by subsidiary undertaking

\* Disposed of after 31 March 2001

## 21. POST BALANCE SHEET EVENTS

On 20 July 2001 and 3 August 2001, the Company disposed of its electrical contracting businesses at a total profit before tax of approximately £639,000.

On 21 September 2001, the Company disposed of its 51% holding in GT Railway Maintenance Holdings Limited at a profit before tax of approximately £34,184,000.

As part of a reorganisation of ALSTOM in the United Kingdom, the Company transferred the majority of its business interests to ALSTOM Ltd at net book value with effect from 31 March 2002. During March and April 2002 the Company transferred certain of its investments at net book value to other ALSTOM Group companies. The Company has retained ownership of certain of its investments and fixed assets.

## 22. ULTIMATE PARENT COMPANY

The Company's ultimate parent company is ALSTOM, a company incorporated in France.

The largest group in which the results of the Company are consolidated is that headed by ALSTOM. A copy of the ALSTOM accounts can be obtained from 25 avenue Kléber, 75795 Paris Cedex 16, or via the ALSTOM Website at [www.alstom.com](http://www.alstom.com).

## 23. RELATED PARTY TRANSACTIONS

Marconi of England and Alcatel of France are deemed to be related parties by virtue of their shareholdings during the year in the ultimate parent company. During the course of the financial year ended 31 March 2001, there were sales of £128,000 (2000 : £257,000) to and purchases of £41,403,000 (2000 : £28,554,000) from their various group companies in the ordinary course of business. At 31 March 2001 there were amounts of £113,000 (2000 : £13,000) due from and £19,112,000 (2000 : £8,569,000) due to their various group companies.

Pursuant to the exemption granted by Financial Reporting Standard No 8 "Related Party Disclosures" transactions with other undertakings within the ALSTOM Group have not been disclosed within these accounts.