

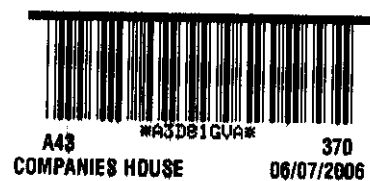
**Registered in England and Wales, No. 02901064**

**ALSTOM TRANSPORT HONG KONG LTD**

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2006



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## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS:**

J M Brownsword	(appointed 20 April 2005)
M J Sutton	(resigned 24 August 2005)
E Hedley	(appointed 12 December 2005)
D E Smith	(resigned 20 April 2005)

### **SECRETARY:**

E Hedley

### **REGISTERED OFFICE:**

Newbold Road  
Rugby  
Warwickshire  
CV21 2NH

### **AUDITORS:**

Ernst & Young LLP  
Birmingham

**DIRECTORS' REPORT**  
**Year Ended 31 March 2006**

The Directors present their annual report and the audited financial statements for the year ended 31 March 2006.

**PRINCIPAL ACTIVITY AND BUSINESS REVIEW**

The Company's principal activity is the refurbishment and repair of railway vehicles and rapid transit systems in Hong Kong.

TRADING RESULTS

As shown in the Company's profit and loss account, sales have reduced by 49% to £593,198 (2005 : £1,155,241). Loss on ordinary activities before taxation was £45,588 (2005 : Profit of £76,153).

FUTURE PROSPECTS

The Directors have decided that the Company will not seek further orders. The Company will trade current orders through to completion.

**DIVIDENDS**

The Directors do not recommend the payment of a dividend (2005 : £nil).

**DIRECTORS AND THEIR INTERESTS**

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

According to the register, kept by the Company in accordance with Section 325 of the Companies Act 1985, as at 31 March 2006, none of the Directors had any disclosable interests in the shares or debentures of the Company or its ultimate parent Company at any time during the year.

During the year the Company maintained appropriate insurance cover in respect of legal action against the Directors and it remains in force at the date of this report.

**EMPLOYEES**

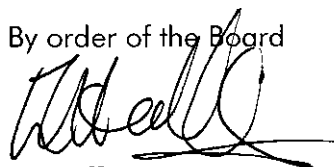
The Company has no employees, but pays for the services of employees of other group companies, principally in Hong Kong. An element of administration and project control is carried out by personnel employed by ALSTOM Ltd, a fellow group undertaking.

**AUDITORS**

The Directors believe that they have taken reasonable steps in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. Further, they believe that there is no relevant audit information of which the Company's auditors are unaware.

Ernst & Young LLP have expressed their willingness to continue in office as auditors and they will be reappointed.

By order of the Board



**E Hedley**  
**Secretary**

26 MAY

2006

## **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 affairs of the Company and of the profit or loss of the Company for that year. 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, subject to any material departures being disclosed and explained in the 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 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALSTOM TRANSPORT HONG KONG LTD**

We have audited the financial statements of ALSTOM Transport Hong Kong Ltd for the year ended 31 March 2006, which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. 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**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and that the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, 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 other transactions is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

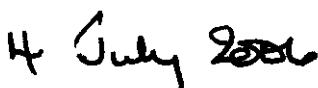
### **Opinion**

In our opinion :

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



Ernst & Young LLP  
Registered Auditor  
Birmingham



**PROFIT AND LOSS ACCOUNT**  
**Year Ended 31 March 2006**

	<b>Notes</b>	<b>2006</b> <b>£</b>	<b>2005</b> <b>£</b>
<b>Turnover</b>	(2)	593,198	1,155,241
Cost of sales		<u>(521,041)</u>	<u>(833,190)</u>
<b>Gross profit</b>		72,157	322,051
Net operating expenses		<u>(117,745)</u>	<u>(245,898)</u>
<b>(Loss)/profit on ordinary activities before taxation</b>	(3)	(45,588)	76,153
Tax on (loss)/profit on ordinary activities	(5)	<u>13,152</u>	<u>(28,022)</u>
<b>(Loss)/profit for the financial year</b>	(13)	<u>(32,436)</u>	<u>48,131</u>

There are no other recognised gains or losses in either period other than as shown above.

**BALANCE SHEET**  
**31 March 2006**

	Notes	2006 £	2005 £
<b>Fixed assets</b>			
Tangible assets	(6)	-	371
<b>Current assets</b>			
Stocks	(7)	289,739	58,348
Debtors	(8)	579,155	625,414
Cash at bank and in hand		315,491	645,741
		1,184,385	1,329,503
<b>Creditors:</b> Amounts falling due within one year	(9)	(1,710,545)	(1,600,693)
<b>Net current liabilities</b>		(526,160)	(271,190)
<b>Total assets less current liabilities</b>		(526,160)	(270,819)
<b>Provisions for liabilities</b>	(10)	(176,912)	(399,817)
<b>Net liabilities</b>		(703,072)	(670,636)
<b>Capital and reserves</b>			
Called-up share capital	(11)	2	2
Profit and loss account	(12)	(703,074)	(670,638)
<b>Equity shareholders' deficit</b>		(703,072)	(670,636)

These financial statements were approved by the Board of Directors and issued to the shareholders on 26 May 2006.



J M Brownsword  
Director



## **NOTES TO THE FINANCIAL STATEMENTS**

### **Year Ended 31 March 2006**

#### **1 ACCOUNTING POLICIES**

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

##### **a. Basis of preparation**

The Company has 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.

##### **b. Turnover**

Turnover represents the invoiced value of deliveries. Taxes on sales are excluded.

##### **c. Contract result and work in progress**

The major part of the activities of the company comprises contracts which extend over several years, many of which by their nature are complex. Discrete deliveries within a contract are separately invoiced as work progresses. Work in progress relates to the un-invoiced portion of a contract and is consistently valued at the beginning and end of year at the lower of cost and estimated net realisable value.

Contracts are subject to regular detailed financial and technical reviews to determine their progress and likely outcome. Costs to complete are assessed throughout the progress of work including commissioning and maintenance costs and appropriate contingencies dependent on the nature of the work being undertaken and the stage of completion reached. Where contract assessments indicate with reasonable certainty that profits will be earned, a proportion of such profit is credited in the accounts by reference to the deliveries invoiced. If the assessment indicates that the contract will be completed at a loss, the loss is recognised immediately.

##### **d. Tangible fixed assets**

Fixed assets are shown at cost, net of depreciation and any provision for impairment.

Depreciation is calculated to write off the cost of fixed assets, during their expected useful lives, on a straight-line basis.

The principal annual rates used for this purpose are:

Plant and equipment	10%
Data processing equipment	20%
Motor vehicles	25-33%

## 1 ACCOUNTING POLICIES (continued)

### e. Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### f. Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date or at the rate at which the transaction is contracted to be settled in the future. The differences arising from changes in exchange rates on revenue transactions are dealt with through the profit and loss account.

### g. 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 Company's turnover is generated from its principle activity being the repair and refurbishment of railway vehicles and rapid transit systems in Hong Kong.

## 3 (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/Profit on ordinary activities before taxation is stated after charging:

	2006 £	2005 £
Depreciation of owned tangible assets	371	720
Auditor's remuneration – audit fees	8,008	-

The remuneration of the auditors in 2005 was borne by a fellow group undertaking.

#### 4 STAFF COSTS AND DIRECTORS REMUNERATION

The Directors received no remuneration in relation to services provided to the Company (2005 : £nil). There are no staff costs in either year.

#### 5 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%.

	<b>2006</b> <b>£</b>	<b>2005</b> <b>£</b>
UK Corporation tax	(13,676)	22,846
Under provision in prior years	524	5,176
	<u>(13,152)</u>	<u>28,022</u>

The actual tax for the current year differs from the standard rate for the reasons set out in the following reconciliation :

	<b>2006</b> <b>£</b>	<b>2005</b> <b>£</b>
(Loss)/profit on ordinary activities before taxation	(45,588)	76,153
Tax (credit)/charge on (loss)/profit at the standard rate	(13,676)	22,846
Adjustment to tax in respect of prior period	524	5,176
Current taxation (credit)/charge	<u>(13,152)</u>	<u>28,022</u>

There is no provided or unprovided deferred tax at 31 March 2006 or 31 March 2005.

**6 TANGIBLE FIXED ASSETS**

	<b>Plant and machinery £</b>	<b>Fixtures and fittings £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 April 2005 and 31 March 2006	11,454	91,841	103,295
<b>Depreciation</b>			
At 1 April 2005	11,083	91,841	102,924
Charge for the year	371	-	371
At 31 March 2006	<u>11,454</u>	<u>91,841</u>	<u>103,295</u>
<b>Net Book Value</b>			
31 March 2006	<u>-</u>	<u>-</u>	<u>-</u>
31 March 2005	<u>371</u>	<u>-</u>	<u>371</u>

**7 STOCKS**

	<b>2006 £</b>	<b>2005 £</b>
Work in progress	<u>289,739</u>	<u>58,348</u>

**8 DEBTORS**

	<b>2006 £</b>	<b>2005 £</b>
Trade debtors	444,653	204,581
Amounts owed by group undertakings	109,438	410,234
Corporation tax	13,548	-
Other debtors	<u>11,516</u>	<u>10,599</u>
	<u>579,155</u>	<u>625,414</u>

**9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2006</b> <b>£</b>	<b>2005</b> <b>£</b>
Amounts owed to group undertakings	1,595,693	1,406,410
Accruals and deferred income	114,852	171,437
Corporation tax	-	22,846
	<u>1,710,545</u>	<u>1,600,693</u>

**10 PROVISIONS FOR LIABILITIES**

	<b>2006</b> <b>£</b>	<b>2005</b> <b>£</b>
At 1 April 2005	399,817	499,986
Utilised during the year	<u>(222,905)</u>	<u>(100,169)</u>
At 31 March 2006	<u>176,912</u>	<u>399,817</u>

The provision for liabilities relates to warranty costs. The provision is established to recognise known and expected claims against delivered products or services within the contractual guarantee period for such sales. The expenditure is expected to be mainly incurred and therefore the warranty provision utilised within 12-30 months of the balance sheet date.

**11 CALLED UP SHARE CAPITAL**

	<b>2006</b> <b>£</b>	<b>2005</b> <b>£</b>
Authorised, issued and fully paid: 2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

**12 MOVEMENT ON RESERVES**

<b>Profit &amp; Loss Account</b>	<b>£</b>
Balance at 1 April 2005	(670,638)
Loss for the financial year	<u>(32,436)</u>
Balance at 31 March 2006	<u>(703,074)</u>

**13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>2006</b> <b>£</b>	<b>2005</b> <b>£</b>
(Loss)/Profit for the financial year	(32,436)	48,131
Opening shareholders' funds	<u>(670,636)</u>	<u>(718,767)</u>
Closing shareholders' funds	<u>(703,072)</u>	<u>(670,636)</u>

**14 PARENT UNDERTAKINGS**

The Company's immediate parent undertaking is ALSTOM UK Holdings Ltd.

The Company's ultimate parent undertaking and ultimate controlling party is ALSTOM, a company incorporated in France. 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 3, avenue André Malraux, 92309 Levallois-Perret Cedex, Paris, France, or via the ALSTOM website at [www.alstom.com](http://www.alstom.com).

**15 RELATED PARTY TRANSACTIONS**

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