

Company Registration No. 2901064

Registered in England and Wales

ALSTOM TRANSPORT HONG KONG LTD

Report and Financial Statements

For the Year Ended

31 March 2007

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REPORT AND FINANCIAL STATEMENTS 2007

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J M Brownsword
E Hedley

SECRETARY

E Hedley

REGISTERED OFFICE

Newbold Road
Rugby
Warwickshire
CV21 2NH

AUDITORS

Ernst & Young LLP
No 1 Colmore Square
Birmingham
B4 6HQ

DIRECTORS' REPORT

Year ended 31 March 2007

The Directors present their report and the financial statements for the year ended 31 March 2007

REVIEW OF THE COMPANY AND ITS ACTIVITIES

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

As shown in the Company's profit and loss account, sales have increased by 200% to £1,189,670 (2006 £593,198) Loss on ordinary activities before taxation was £1,018,475 (2006 £45,588)

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 (2006 £nil)

DIRECTORS AND THEIR INTERESTS

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

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 party during the year

According to the register kept by the Company in accordance with Section 325 of the Companies Act 1985, as at 31 March 2007, 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 has maintained the grant of an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985 Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' 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

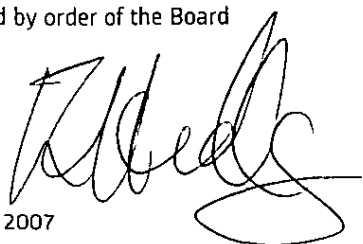
The Directors believe that they have taken reasonable steps in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information Further, they believe that they have taken appropriate steps to ensure that there is no relevant audit information of which the Company's auditors are unaware This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

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

Approved by the Board of Directors
and signed by order of the Board

E Hedley
Secretary

3 October 2007



STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that 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, 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 AUDITORS' REPORT TO THE SHAREHOLDERS OF
ALSTOM TRANSPORT HONG KONG LTD**

We have audited the financial statements of ALSTOM Transport Hong Kong Ltd for the year ended 31 March 2007, 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition, we 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.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 2007 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

Ernst & Young LLP
Registered Auditor
Birmingham, UK

5 October 2007

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2007

	Note	2007 £	2006 £
TURNOVER	2	1,189,670	593,198
Cost of sales		<u>(2,199,637)</u>	<u>(521,041)</u>
GROSS (LOSS)/PROFIT		(1,009,967)	72,157
Administrative expenses		<u>(8,508)</u>	<u>(117,745)</u>
OPERATING LOSS AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(1,018,475)	(45,588)
Tax on loss on ordinary activities	5	<u>328,588</u>	<u>13,152</u>
LOSS FOR THE FINANCIAL YEAR	12	<u><u>(689,887)</u></u>	<u><u>(32,436)</u></u>

All results derive from continuing operations

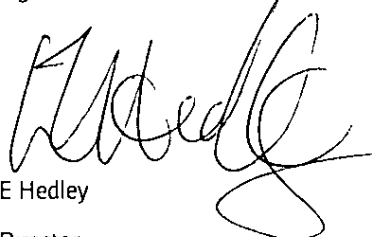
There are no recognised gains or losses in the current year or the preceding year other than those shown in the Profit and Loss Account

BALANCE SHEET
31 March 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Tangible assets	6	-	-
CURRENT ASSETS			
Stocks	7	-	289,739
Debtors	8	971,511	579,155
Cash at bank and in hand		835,462	315,491
		1,806,973	1,184,385
CREDITORS: amounts falling due within one year	9	(2,543,160)	(1,710,545)
NET CURRENT LIABILITIES		(736,187)	(526,160)
TOTAL ASSETS LESS CURRENT LIABILITIES		(736,187)	(526,160)
PROVISIONS FOR LIABILITIES	10	(656,772)	(176,912)
NET LIABILITIES		(1,392,959)	(703,072)
CAPITAL AND RESERVES			
Called up share capital	11	2	2
Profit and loss account	12	(1,392,961)	(703,074)
TOTAL SHAREHOLDERS' DEFICIT	13	(1,392,959)	(703,072)

These financial statements were approved by the Board of Directors and issued to the shareholders on 3 October 2007

Signed on behalf of the Board of Directors



E Hedley
Director

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2007****1. ACCOUNTING POLICIES**

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

Basis of preparation

The Company is dependent on the continuing financial support and funding from ALSTOM, which has been obtained. As such, the directors of the Company consider it appropriate to prepare the financial statements on a going concern basis.

Turnover

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

Contract result and work in progress

Discrete deliveries within a contract are separately invoiced as work progresses. Work in progress relates to the uninvoiced portion of a contract and is consistently valued at the beginning and end of the 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 are set up 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 financial statements by reference to the deliveries invoiced. If the assessment indicates that the contract will be completed at a loss, the loss is recognised immediately.

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%
Fixtures and fittings	20%

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are recognised in the financial statements. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised to the extent that, on the basis of all available evidence, it is regarded as 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 assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2007****1 ACCOUNTING POLICIES (CONTINUED)****Provisions for liabilities**

Provisions for liabilities are recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions for liabilities are charged against profits. These mainly comprise expected cost of maintenance under guarantees. The effect of the time value of money is not material and therefore the provisions are not discounted.

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.

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 principal activity being the repair and refurbishment of railway vehicles and rapid transit systems in Hong Kong.

3 OPERATING LOSS AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Operating loss and loss on ordinary activities before taxation is stated after charging

	2007	2006
	£	£
Depreciation of owned tangible assets	-	371
	<u> </u>	<u> </u>

The auditors' remuneration in 2006 and 2007 was borne by a fellow group company.

4. STAFF COSTS AND DIRECTORS' REMUNERATION

The Directors received no remuneration in relation to services provided to the Company (2006: £nil). There were no staff costs in either year.

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2007****5. TAX ON LOSS ON ORDINARY ACTIVITIES**

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

	2007	2006
	£	£
United Kingdom Corporation Tax	(305,542)	(13,676)
(Over)/under provision in prior years	(23,046)	524
	<u>(328,588)</u>	<u>(13,152)</u>

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

	2007	2006
	£	£
Loss on ordinary activities before taxation	(1,018,475)	(45,588)
Tax credit on loss at the standard rate	(305,542)	(13,676)
Adjustment to tax in respect of prior year	(23,046)	524
Current taxation credit	<u>(328,588)</u>	<u>(13,152)</u>

There is no provided or unprovided deferred tax at 31 March 2007 or 31 March 2006

6. TANGIBLE FIXED ASSETS

	Plant and machinery £	Fixtures and fittings £	Total £
Cost			
At 1 April 2006 and 31 March 2007	<u>11,454</u>	<u>91,841</u>	<u>103,295</u>
Depreciation			
At 1 April 2006 and 31 March 2007	<u>11,454</u>	<u>91,841</u>	<u>103,295</u>
Net Book Value			
At 31 March 2007 and at 31 March 2006	<u>-</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2007

7 STOCKS

	2007	2006
	£	£
Work in progress	-	289,739

8 DEBTORS

	2007	2006
	£	£
Trade debtors	606,967	444,653
Amounts owed by Group undertakings	32,791	109,438
Corporation tax	319,342	13,548
Other debtors	12,411	11,516
	<u>971,511</u>	<u>579,155</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007	2006
	£	£
Amounts owed to Group undertakings	2,176,478	1,595,693
Accruals and deferred income	366,682	114,852
	<u>2,543,160</u>	<u>1,710,545</u>

10 PROVISIONS FOR LIABILITIES

	2007	2006
	£	£
At 1 April 2006	176,912	399,817
Added during the year	656,772	-
Utilised during the year	(176,912)	(222,905)
	<u>656,772</u>	<u>176,912</u>
At 31 March 2007		

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 warranty provision is expected to be utilised within 12 to 30 months of the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 March 2007****11. CALLED UP SHARE CAPITAL**

	2007	2006
	£	£
Authorised, issued and fully paid		
2 Ordinary shares of £1 each	2	2

12. MOVEMENT ON RESERVES

	Profit and Loss Account £
At 1 April 2006	(703,074)
Loss for the financial year	(689,887)
At 31 March 2007	(1,392,961)

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	2007	2006
	£	£
Loss for the financial year	(689,887)	(32,436)
Opening shareholders' deficit	(703,072)	(670,636)
Closing shareholders' deficit	(1,392,959)	(703,072)

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 only Group in which the results of the Company are consolidated is that headed by ALSTOM. A copy of the ALSTOM financial statements can be obtained from 3 avenue André Malraux, 92309 Levallois-Perret Cedex, France, or via the Alstom website at www.alstom.com

15. RELATED PARTY TRANSACTIONS

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 financial statements