

**Trench (UK) Limited**

**Directors' report and financial statements**

**Registered number 03803568**

**30 September 2005**



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## Directors' report

The directors present their annual report and the audited financial statements for the 9 months ended 30 September 2005.

### Principal activities

The company's principal activity is the manufacture and sale of high voltage bushings primarily for the electrical power industry.

The company has an ongoing research and development programme in relation to the development of bushings.

### Business review

During 2005 the Company changed its accounting year end from 31 December to 30 September.

Turnover decreased from £10,166,000 to £8,268,000.

Operating profit was £203,000 compared to £379,000 in the previous year, whilst the profit on ordinary activities before taxation decreased to £18,000 from a profit of £97,000.

The company made a profit for the year after taxation of £174,000 (2004 loss: £62,000).

### Research and development

The company continues to invest in research and development in the UK.

### Proposed dividend

The directors do not recommend the payment of a dividend.

### Directors and directors' interests

The directors who held office during the year were as follows:

Dr D Schade

M Bissell (resigned 28<sup>th</sup> February 2005)

A Finn (resigned 19<sup>th</sup> May 2005)

M Galley (appointed 19<sup>th</sup> May 2005)

R Marcucci (appointed 19<sup>th</sup> May 2005)

## Directors' report (continued)

According to the register kept under Section 325 of the Companies Act 1985 no director had notified any beneficial interest in the shares of the company, the company's parent company, or a subsidiary of the company's parent company either at the beginning or end of the year. As permitted by statutory instrument, the register does not include any shareholdings of directors of the ultimate parent company in that company or its overseas subsidiary companies.

### Equal Opportunities

The Company is committed to equal opportunities for all, free of discrimination and harassment. Trench (UK) Limited values the contribution of all employees. All job applicants and employees, customers, visitors or contractors will receive equal treatment regardless of sex, race, disability, sexual orientation, religion or belief, age, colour, marital status, trade union membership, nationality or ethnic or national origins.

Within Trench (UK) Limited applicants and employees will be recruited, selected, trained and promoted on objective grounds, i.e. on the basis of their ability, skills and aptitudes and on the requirements of their job. This will enable them to develop to the best of their abilities and contribute most effectively to the success of the Company. Wherever possible, we will assist disabled employees to enable them to work for the Company and maximise their contribution and performance.

### Employee Participation

The Directors continue to encourage employee participation within the Company. Trench (UK) Limited uses various methods for encouraging an open and participative style of management and communication that has been introduced in recent years; these include team briefings, intranet information and notices and staff forums. We encourage suggestions and innovations for improving business performance, business suggestion schemes and the staff dialogue process.

### Payment policy to creditors

It is the company's policy to negotiate terms with its suppliers in all sectors and to ensure that they know the terms on which payment will take place when the business is agreed. It is our policy to abide by these terms.

Creditor days at 30 September 2005 were 78 days (2004: 108 days).

### Political and Charitable donations

The Company made no political or charitable contributions during the year (2004: £nil).

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

### Auditor

In accordance with section 379A of the Companies Act 1985, the company has decided to dispense with the laying of reports and accounts before the members in a general meeting, the annual appointment of auditors and the holding of annual general meetings and accordingly KPMG Audit plc will therefore continue in office.

By order of the board

  
M Galley  
Director

Trench (UK) Limited  
South Drive  
Hebburn  
Tyne & Wear  
NE31 1UW

4 July 2006

## **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 and of the profit or loss 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, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## KPMG Audit Plc

Arlington Business Park

Theale

Reading

RG7 4SD

United Kingdom

### Report of the independent auditors to the members of Trench (UK) Limited

We have audited the financial statements on pages 5 to 17.

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 auditor's 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 preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 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.

#### Basis of audit opinion

We conducted our audit in accordance with 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 30 September 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

31 August 2006

**Profit and loss account**  
for the period ended 30 September 2005

	<i>Note</i>	<b>9 months ended 30 September 2005 £000</b>	<b>Year ended 31 December 2004 £000</b>
<b>Turnover</b>	2	8,268	10,166
Cost of sales		(5,113)	(5,986)
		<hr/>	<hr/>
<b>Gross profit</b>		3,155	4,180
Net operating expenses		(2,952)	(3,801)
		<hr/>	<hr/>
<b>Total operating profit</b>		203	379
<b>Analysed as:</b>			
<b>Total operating profit before exceptional costs</b>		203	534
Exceptional operating expenses	3	-	(155)
		<hr/>	<hr/>
<b>Total operating profit</b>		203	379
<b>Profit on ordinary activities before interest and taxation</b>	3	203	379
Interest payable and similar charges	6	(185)	(282)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	3-5	18	97
Tax on profit on ordinary activities	7	156	(159)
		<hr/>	<hr/>
<b>Retained profit/(loss) for the year</b>	15	174	(62)
		<hr/> <hr/>	<hr/> <hr/>

There were no recognised gains or losses in the current financial period or the preceeding financial year other than those shown above.

All results arose from continuing operations.

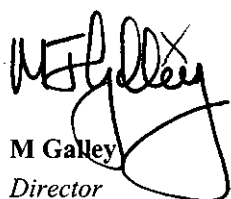
**Balance sheet**  
at 30 September 2005

	<i>Note</i>	30 September 2005		31 December 2004	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	8		2,671		2,809
Tangible assets	9		2,100		2,075
			<hr/>		<hr/>
			4,771		4,884
<b>Current assets</b>					
Stocks	10	1,042		1,100	
Debtors	11	2,167		3,274	
Cash at bank and in hand		-		487	
		<hr/>		<hr/>	
		3,209		4,861	
<b>Creditors:</b> amounts falling due within on year	12	(6,864)		(9,028)	
		<hr/>		<hr/>	
<b>Net current liabilities</b>			(3,655)		(4,167)
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			1,116		717
<b>Provisions for liabilities and charges</b>	13		(341)		(116)
			<hr/>		<hr/>
<b>Net assets</b>			775		601
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	14		-		-
Profit and loss account	15		775		601
			<hr/>		<hr/>
<b>Equity shareholders' funds</b>	15		775		601
			<hr/>		<hr/>

These financial statements were approved by the board of directors on behalf by:

4 July

2006 and were signed on its

  
M Galley  
Director

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items that are considered material in relation to the company's financial statements except as, noted below.

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt from the requirement of Financial Reporting Standard No 1 (Revised 1996) to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of Siemens AG, and its cash flows are included within the consolidated cash flow statement of that company.

The company has taken advantage of the exemption under Financial Reporting Standard No 8 for subsidiary undertakings, 90% or more of whose voting rights are controlled within the group, and has not disclosed transactions with group companies.

#### *Tangible fixed assets and depreciation*

Tangible fixed assets are capitalised and the provision for depreciation is calculated on the cost, less residual value, in order to write off such amounts on a straight line basis over their estimated useful lives.

Depreciation is provided at the following annual rates:

Buildings	-	40 years
Plant and machinery	-	7 – 10 years
Fixtures and fittings	-	3 – 5 years

No depreciation is provided on freehold land.

Leasehold improvements are depreciated over the shorter of the life of the lease or ten years.

Expenditure on capital items costing less than £400 each is charged to the profit and loss account as it is incurred.

Tangible assets held for resale are transferred to current assets.

## **Notes (continued)**

### **1 Accounting policies (continued)**

#### ***Goodwill***

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations is capitalised. Purchased goodwill is amortised to nil by equal annual instalments over its estimated useful life.

#### ***Stocks and work in progress***

Stocks and work in progress are stated at the lower of cost and net realisable value.

In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

#### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard No 19.

#### ***Research and development***

All research and development expenditure is charged to the profit and loss account as incurred.

#### ***Turnover and revenue recognition***

Turnover is the total amount receivable for goods and services supplied, excluding value added tax and trade discounts. The timing of revenue recognition for sales of electrical equipment depends on the nature of each sales contract. When sales contracts include substantive customer acceptance clauses, the company recognises revenue when customers have acknowledged acceptance of the equipment. When sales contracts do not include substantive customer acceptance clauses, the company recognises revenue when the terms of the contract with the customer have been substantially met (ie when control is transferred to the customer).

The company also engages in certain bill-and-hold sales arrangements with customers. Such arrangements are requested in writing by customers, and include a fixed delivery date. Equipment held for customers is segregated from other inventory, cannot be used to fill other customer orders and is complete and ready for shipment. The transfer of control and the risk of loss of such equipment pass to the customer prior to delivery. The company does not retain any specific performance obligations related to this equipment such that the earnings process is not complete. The company and others in this industry normally engage in this practice when certain larger installations may not be ready to accept goods as initially scheduled due to construction delays.

Shipping costs are expensed in the 'cost of sales' line in the income statement.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, primarily inter-company accounts, are translated using the rate of exchange ruling at the balance sheet date and the gains or losses arising on translation are included in the profit and loss account.

#### *Operating leases, finance leases and HP contracts*

Rentals under operating leases are charged to the profit and loss account in the periods to which they relate. Where assets are acquired under hire purchase or finance leasing agreements, which entail taking substantially all the risks and rewards of ownership of an asset, the amount representing the outright purchase price of such assets is included in tangible fixed assets. Depreciation is provided at rates designed to write off the net cost over the shorter of the period of the lease or estimated useful lives of the assets. The capital element of future payments is treated as a liability and the interest element is charged to the profit and loss account as it accrues.

#### *Post-retirement benefits*

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period and represents the full extent of the company's liability.

### 2 Segmental information

	9 months ended 30 September 2005 £000	Year ended 31 December 2004 £000
<i>Turnover is analysed into the following business segments</i>		
European Union	2,783	4,365
Other	5,485	5,801
	<hr/> 8,268 <hr/>	<hr/> 10,166 <hr/>

## Notes (continued)

### 3 Profit on ordinary activities before taxation

	9 months ended 30 September 2005 £000	Year ended 31 December 2004 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation of owned fixed assets	283	289
Amortisation of intangible fixed assets	138	184
Other operating lease rentals	4	11
Auditor's remuneration	21	21
Auditor's remuneration for other services	-	-
Hire of machinery and equipment	17	15
Loss on disposal of fixed assets	-	38
	<hr/>	<hr/>

*Administration costs include the following exceptional costs:*

	9 months ended 30 September 2005 £000	Year ended 31 December 2004 £000
Redundancy payments	-	155
	<hr/>	<hr/>

## Notes (continued)

### 4 Remuneration of directors

	9 months ended 30 September 2005 £000	Year ended 31 December 2004 £000
Directors' emoluments	420	751
Company contributions to money purchase pension scheme	12	47
	<u>432</u>	<u>798</u>

None of the directors of the Company received remuneration in respect of their services to the company for the year. The above two (2004: two) directors are paid by the company on behalf of other group companies, with the full cost recharged back to those companies.

	Number of directors 9 months ended 30 September 2005	Year ended 31 December 2004
--	--	--------------------------------

Retirement benefits are accruing to the following number of directors under:

Money purchase schemes	<u>1</u>	<u>2</u>
------------------------	----------	----------

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 9 months ended 30 September 2005	Year ended 31 December 2004
Production	73	77
Administration	19	20
	<u>92</u>	<u>97</u>

The aggregate payroll costs of these persons were as follows:

	9 months ended 30 September 2005 £000	Year ended 31 December 2004 £000
Wages and salaries	1,964	2,425
Social security costs	201	242
Other pension costs (note 17)	75	95
	<u>2,240</u>	<u>2,762</u>

## Notes (continued)

### 6 Interest payable and similar charges

	9 months ended 30 September 2005	Year ended 31 December 2004
	£000	£000
On bank loans and overdrafts	-	82
On all other loans	185	200
	<u>185</u>	<u>282</u>

### 7 Tax on profit on ordinary activities

#### a) Analysis of charge in period:

	9 months ended 30 September 2005	Year ended 31 December 2004
	£000	£000
<i>Current tax</i>		
UK corporation tax on profits of the period	59	153
Adjustments in respect of prior periods	(193)	35
	<u></u>	<u></u>
Total current tax	(134)	188
<i>Deferred tax (see note 13 )</i>		
Reversal of timing differences	(2)	(29)
Adjustment in respect of prior years	(20)	-
	<u></u>	<u></u>
	(22)	(29)
	<u></u>	<u></u>
Tax (credit) / charge on profit on ordinary activities:	<u>(156)</u>	<u>159</u>

## Notes (continued)

### 7 Tax on profit on ordinary activities (continued)

#### b) Factors affecting the tax charge for the current period

The difference between the current tax credit for the period of £134k (2004: £188k charge) and the standard rate of corporation tax in the UK 30% (2004: 30%) are explained below.

	9 months ended 30 September 2005 £000	Year ended 31 December 2004 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	18	97
	<hr/>	<hr/>
Current tax at 30 % (2004: 30 %)	5	29
<i>Effects of:</i>		
Expenses not deductible for tax purposes and non taxable income	51	95
Capital allowances for period in excess of depreciation	22	3
Other timing differences	(19)	26
Adjustments to tax charge in respect of previous periods	(193)	35
	<hr/>	<hr/>
Current tax charge for period	(134)	188
	<hr/>	<hr/>

### 8 Intangible fixed assets

	Goodwill £000
<i>Cost</i>	
At beginning and end of period	3,673
<i>Accumulated amortisation</i>	
At beginning of period	864
Charge for period	138
Released on disposal	-
	<hr/>
At end of period	1,002
	<hr/>
<i>Net book value</i>	
At 30 September 2005	2,671
	<hr/>
At 31 December 2004	2,809
	<hr/>

The goodwill arising as a result of the acquisition of the trade and assets of VA Tech Reyrolle Limited and VA Tech Properties (UK) Limited on 18 April 2000, is being amortised on a straight line basis over 20 years. This is the period over which the directors estimate that the value of the underlying business is expected to exceed the value of the underlying net assets acquired.

## Notes (continued)

### 9 Tangible fixed assets

	Land and buildings £000	Plant, machinery fixtures & fittings £000	IT equipment £000	Total £000
<b>Cost</b>				
At beginning of period	835	2,019	304	3,158
Additions	-	167	141	308
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	835	2,186	44	3,466
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At beginning of period	60	773	25	1,083
Charge for period	9	232	4	283
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	69	1,005	29	1,366
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 30 September 2005	766	1,181	15	2,100
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2004	775	1,246	5	2,075
	<hr/>	<hr/>	<hr/>	<hr/>

### 10 Stocks

	30 September 2005 £000	31 December 2004 £000
Raw materials	592	732
Work in progress	450	357
Finished goods	-	11
	<hr/>	<hr/>
	1,042	1,100
	<hr/>	<hr/>

### 11 Debtors

	30 September 2005 £000	31 December 2004 £000
Trade debtors	1,311	1,845
Amounts owed by other group undertakings	751	1,347
Other debtors	59	68
Corporation tax	27	-
Prepayments and accrued income	19	14
	<hr/>	<hr/>
	2,167	3,274
	<hr/>	<hr/>

## Notes (continued)

### 12 Creditors: amounts falling due within one year

	30 September 2005 £000	31 December 2004 £000
Bank loans and overdrafts	94	5,841
Payments received on account	81	81
Trade creditors	1,565	1,561
Amounts owed to other group undertakings	4,730	480
Other creditors	98	131
Taxation and social security	82	102
Accruals and deferred income	214	558
Corporation tax	-	274
	<hr/> 6,864 <hr/>	<hr/> 9,028 <hr/>

### 13 Provisions for liabilities and charges

	30 September 2005 £000	31 December 2004 £000
<i>Provisions for:</i>		
Warranties	247	104
Deferred tax	94	116
	<hr/> 341 <hr/>	<hr/> 220 <hr/>

	Warranties £000	Deferred tax £000	Total £000
At beginning of the period	104	116	220
Charged / (credited) to the profit and loss account	143	(22)	121
	<hr/>	<hr/>	<hr/>
At end of period	247	94	341
	<hr/>	<hr/>	<hr/>

## Notes (continued)

### 13 Provisions for liabilities and charges (continued)

The elements of deferred taxation are as follows:

	Recognised	
	2005 £000	2004 £000
Accelerated capital allowances	122	160
Other timing differences	(28)	(44)
	<hr/>	<hr/>
Total liability	94	116
	<hr/>	<hr/>

### 14 Called up share capital

	30 September 2005 £	31 December 2004 £
<i>Authorised</i>		
Equity: 1 Ordinary share of £1 each	1	1
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: 1 Ordinary share of £1 each	1	1
	<hr/>	<hr/>

### 15 Reconciliation of movements in shareholders' funds

	9 months ended 30 September 2005 £000	Year ended 31 December 2004 £000
Opening shareholders' funds	601	663
Retained profit for the financial year	174	(62)
	<hr/>	<hr/>
Closing shareholders' funds	775	601
	<hr/>	<hr/>

## Notes (continued)

### 16 Commitments

Annual commitments under operating leases are as follows:

	30 September 2005	31 December 2004
	Other £000	Other £000
Expiring within one year	7	1
Expiring in the second to fifth years inclusive	8	2
Expiring over 5 years	-	-
	<hr/> 15	<hr/> 3
	<hr/> <hr/>	<hr/> <hr/>

### 17 Pension schemes

The principal scheme at 30 September 2005 is the Trench (UK) Limited Group Personal Pension Plan Scheme.

Trench (UK) Limited Group Personal Pension Plan Scheme

#### *Defined Contribution Plan*

The company operates a defined contribution pension plan. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £75,000 (2004: £95,000).

### 18 Immediate and Ultimate parent undertaking

The immediate parent undertaking is Trench Electric BV, a company registered in the Netherlands.

The ultimate parent undertaking and controlling party is Siemens AG, a company registered in Germany, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of the Siemens AG consolidated financial statements are available on the internet at [www.siemens.com/annualreport](http://www.siemens.com/annualreport) or can be obtained from:

Siemens AG  
Wittelsbacherplatz 2  
D-80333 Munich  
Germany