Trench (UK) Limited

Directors' report and financial statements

Registered number 03803568

30 September 2006

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2006.

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. The comparative figures are for the 9 month period to 30 September 2005.

Turnover increased to £12,454,000 from £ 8,268,000 (9 months).

2006 turnover increased 8% over a comparable 2005 period.

Operating profit was £1,157,000 compared to £203,000 in the previous period, whilst the profit on ordinary activities before taxation increased to £945,000 from a profit of £18,000.

The performance in 2006 is in line with the expectations of the directors and reflects the ongoing trading performance of the company.

The company made a profit for the year after taxation of £591,000 (2005 profit: £174,000).

The directors work closely with management to anticipate risks from economic or global factors and plan accordingly.

Current trend in energy and commodity prices are seen as a key risk to competitiveness.

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 (2005: £Nil).

Directors and directors' interests

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

Dr D Schade

M Galley

R Marcucci

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.

Directors' report *(continued)*

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.

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 aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all steps that ought to have been taken as director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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 2006 were 95 days *(2005: 78 days)*.

Political and charitable donations

The Company made no political or charitable contributions during the year (*2005: £nil*).

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

31.01.2007

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards.

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 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 UK Accounting Standards have been followed, subject to any material departures 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 enable them to ensure that its 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

KPMG Audit Plc
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

United Kingdom

Independent auditors' report to the members of Trench (UK) Ltd

We have audited the financial statements of Trench (UK) Limited for the year ended 30 September 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with the 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 transactions with the company 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.

Independent auditors' report to the members of Trench (UK) Ltd *(continued)*

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with the UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of its profit 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.

KPMG Audit Plc.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

31 January 2007

Profit and loss account
for the year ended 30 September 2006

	Note	*2006*	*9 months ended 30 September 2005*
		£000	£000
Turnover	*2*	**12,454**	8,268
Cost of sales		**(7,277)**	(5,113)
Gross profit		**5,177**	3,155
Net operating expenses		**(4,020)**	(2,952)
Profit on ordinary activities before interest and taxation	*3*	**1,157**	203
Interest payable and similar charges	*6*	**(212)**	(185)
Profit on ordinary activities before taxation		**945**	18
Tax on profit on ordinary activities	*7*	**(354)**	156
Retained profit for the year	*15*	**591**	174

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

All results arose from continuing operations.

Balance sheet
at 30 September 2006

	Note	30 September 2006		30 September 2005	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	8		2,487		2,671
Tangible assets	9		2,192		2,100
			4,679		4,771
Current assets					
Stocks	10	1,282		1,042	
Debtors	11	2,766		2,167	
		4,048		3,209	
Creditors: *amounts falling due within on year*	12	(7,035)		(6,864)	
Net current liabilities			(2,987)		(3,655)
Total assets less current liabilities			1,692		1,116
Provisions for liabilities and charges	13		(326)		(341)
Net assets			1,366		775
Capital and reserves					
Called up share capital	14		-		-
Profit and loss account	15		1,366		775
Shareholders' funds	15		1,366		775

These financial statements were approved by the board of directors on 31.01. 2007 and were signed on its behalf by:

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 financial statements, except as noted below.

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date';
- the presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption.

FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

The impact of the implementation of FRS 21 is £Nil (2005:£Nil).

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.

As 90% of the Company's voting rights are controlled within the group headed by Siemens AG, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Siemens AG, within which this Company is included, can be obtained from the address given in note 18.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of the tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

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.

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

Stocks 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 FRS 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.

Classification of financial instruments issued by the Company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

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

	Year ended 30 September 2006 £000	*9 months ended* 30 September 2005 £000
Turnover is analysed into the following business segments		
European Union	**4,697**	2,783
Other	**7,757**	5,485
	12,454	8,268

Notes *(continued)*

3 Profit on ordinary activities before taxation

	Year ended 30 September 2006 £000	9 months ended 30 September 2005 £000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of fixed assets	**305**	283
Amortisation of intangible fixed assets	**184**	138
Other operating lease rentals	**9**	4
Auditor's remuneration: Audit of these financial statements	**22**	21
Hire of machinery and equipment	**2**	17

4 Remuneration of directors

	Year ended 30 September 2006 £000	9 months ended 30 September 2005 £000
Directors' emoluments	**223**	420
Company contributions to money purchase pension scheme	**23**	12
	246	432

None of the directors of the Company received remuneration in respect of their services to the company for the year. The above one (2005: 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	
	Year ended 30 September 2006	9 months ended 30 September 2005
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	1

Notes (continued)

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	
	Year ended 30 September 2006	9 months ended 30 September 2005
Production	**88**	73
Administration	**8**	19
	96	92

The aggregate payroll costs of these persons were as follows:

	Year ended 30 September 2006 £000	9 months ended 30 September 2005 £000
Wages and salaries	**2,855**	1,964
Social security costs	**300**	201
Other pension costs (note 17)	**106**	75
	3,261	2,240

6 Interest payable and similar charges

	Year ended 30 September 2006 £000	9 months ended 30 September 2005 £000
On all other loans	**212**	185
	212	185

Notes (continued)

7 Tax on profit on ordinary activities

a) Analysis of charge in period:

	Year ended 30 September 2006		9 months ended 30 September 2005	
	£000	**£000**	£000	£000
Current tax				
UK corporation tax on profits of the period	**350**		59	
Adjustments in respect of prior periods	**(2)**		(193)	
Total current tax		**348**		(134)
Deferred tax (see note 13)				
Reversal of timing differences	**(8)**		(2)	
Adjustment in respect of prior years	**14**		(20)	
Total deferred tax		**6**		(22)
Tax charge/(credit) on profit on ordinary activities		**354**		(156)

b) Factors affecting the tax charge for the current period

The difference between the current tax charge for the period and the standard rate of corporation tax in the UK 30% *(2005: 30%)* is explained below.

	Year ended 30 September 2006 £000	9 months ended 30 September 2005 £000
Current tax reconciliation		
Profit on ordinary activities before tax	**945**	18
Current tax at 30 % *(2005: 30 %)*	**284**	5
Effects of:		
Expenses not deductible for tax purposes and non taxable income	**58**	51
Capital allowances for period (in excess of)/less than depreciation	**(6)**	22
Other timing differences	**14**	(19)
Adjustments to tax charge in respect of previous periods	**(2)**	(193)
Total current tax charge/(credit) for period	**348**	(134)

Notes (continued)

8 Intangible fixed assets

	Goodwill £000
Cost	
At beginning and end of year	3,673
Amortisation	
At beginning of year	1,002
Charge in year	184
At end of year	1,186
Net book value	
At 30 September 2006	**2,487**
At 30 September 2005	2,671

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
Cost				
At beginning of year	835	2,186	445	3,466
Additions	-	375	22	397
At end of year	835	2,561	467	3,863
Depreciation				
At beginning of year	69	1,005	292	1,366
Charge for year	12	244	49	305
At end of year	81	1249	341	1,671
Net book value **At 30 September 2006**	**754**	**1,312**	**126**	**2,192**
At 30 September 2005	766	1,181	153	2,100

10 Stocks

	2006 £000	2005 £000
Raw materials	**855**	592
Work in progress	**312**	450
Finished goods	**115**	-
	1,282	1,042

11 Debtors

	2006 £000	2005 £000
Trade debtors	**1,940**	1,311
Amounts owed by other group undertakings	**680**	751
Other debtors	**123**	59
Corporation tax	**-**	27
Prepayments and accrued income	**23**	19
	2,766	2,167

Notes *(continued)*

12 Creditors: amounts falling due within one year

	2006 £000	2005 £000
Bank loans and overdrafts	**118**	94
Payments received on account	**-**	81
Trade creditors	**1,902**	1,565
Amounts owed to other group undertakings	**4,229**	4,730
Other creditors	**98**	98
Taxation and social security	**130**	82
Accruals and deferred income	**299**	214
Corporation tax	**259**	-
	7,035	6,864

13 Provisions for liabilities and charges

	2006 £000	2005 £000
Provisions for:		
Warranties	**226**	247
Deferred tax	**100**	94
	326	341

	Warranties £000	Deferred tax £000	Total £000
At beginning of the period	**247**	**94**	**341**
(Credited)/charged to the profit and loss account	(21)	6	(15)
At end of year/period	**226**	**100**	**326**

Notes *(continued)*

13 Provisions for liabilities and charges *(continued)*

The elements of deferred taxation are as follows:

	Provided / (recognised)	
	2006	2005
	£000	£000
Accelerated capital allowances	**142**	122
Other timing differences	**(42)**	(28)
Total liability	**100**	94

14 Called up share capital

	2006	2005
	£	£
Authorised		
1 Ordinary share of £1 each	**1**	1
Allotted, called up and fully paid		
1 Ordinary share of £1 each	**1**	1

15 Reconciliation of movements in shareholders' funds

	2006	2005
	£000	£000
Opening shareholders' funds	**775**	601
Retained profit for the financial year / period	**591**	174
Closing shareholders' funds	**1,366**	775

Notes *(continued)*

16 Commitments

Annual commitments under operating leases are as follows:

	2006 Other £000	*2005* Other £000
Expiring within one year	**12**	7
Expiring in the second to fifth years inclusive	**4**	8
	16	15

17 Pension schemes

The principal scheme at 30 September 2006 is the 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 £106,000 (*2005: £75,000*).

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, incorporated in Germany. Siemens AG is the only parent undertaking of which the Company is a member for which group accounts are prepared. Copies of the group accounts are available on the internet at www.siemens.com/annualreport or can be obtained from:

Siemens AG
Wittelsbacherplatz 2
D-80333 Munich
Germany