

Registered in England and Wales, No. 4112012

ALSTOM T&D TRADING LTD

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

21 MARCH 2004



DIRECTORS:

A D Cledwyn-Davies
D Thomas
J M Blenkinsop
S J Gardner (resigned 29 March 2004)
I D Kellitt (resigned 29 March 2004)

SECRETARY:

AD Cledwyn-Davies

REGISTERED OFFICE:

Newbold Road
Rugby
Warwickshire CV21 2NH

DIRECTORS' REPORT
Year Ended 21 March 2004

The Directors present their report and the Financial Statements for the year to 21 March 2004.

ACTIVITY

The principal activity of the Company is to make investments.

DEVELOPMENTS

On 26 March 2003 the Company allotted 119,000 Ordinary shares of 1p each for £106,600,000.

On 26 March 2003 the Company acquired an option for £106,600,000 consideration which would enable the Company to have an interest free loan of £250,000,000 for seven years. It was intended that this loan would fund the acquisition of certain trade and assets of the Transmission & Distribution business from ALSTOM Ltd.

On 31 March 2003, having considered alternative funding proposals, the Company decided to exercise the option. However, the T&D business was not transferred to the Company, because the structure of the sale changed from a share sale to an assets sale to meet the requirements of the purchaser.

Subsequently, the Company decided that it was in its best interests that the loan should still be drawn down to ensure that any future purchase could be funded or the monies be placed on deposit to earn interest. The Loan agreement was executed on 3 September 2003 and the £250,000,000 was received by the Company on 12 September 2003. The £250,000,000 was on-lent to ALSTOM Ltd on 12 September 2003.

The loss before taxation for the year ended 21 March 2004 was £3,753,000 (2003 : nil).

POST BALANCE SHEET EVENTS

On 31 March 2004 the Company was repaid the loan of £250,000,000 from ALSTOM Ltd and purchased the entire issued share capital of ALSTOM TDT Loan Ltd for a cash consideration of £166,500,000.

On 31 March 2004 the Company re-registered as an unlimited company and reduced its share premium account by £106,598,810.

Also on 31 March 2004 the Company paid an interim dividend of £83,500,000.

DIRECTORS AND THEIR INTERESTS

The membership of the Board is shown on page 2.

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 period.

According to the Register kept by the Company in accordance with Section 325 of the Companies Act 1985, no Director of the Company had any disclosable interests in the shares or debentures of the Company or its ultimate parent company.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

By Order of the Board

A handwritten signature in black ink, appearing to read 'AD Cledwyn-Davies', written over a horizontal line.

AD Cledwyn-Davies
Secretary

25 May

2004

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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALSTOM T&D TRADING LTD

We have audited the financial statements of ALSTOM T&D Trading Ltd for the year ended 21 March 2004 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 11. 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

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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.

We read the Directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit 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 relating 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.

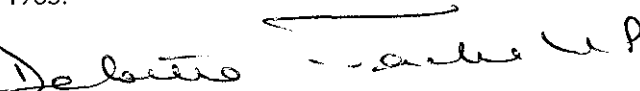
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Basis of preparation – going concern

In forming our opinion, we have considered the adequacy of the disclosures in note 1 to the accounts, concerning the continued availability of ALSTOM Group Banking and Treasury facilities and the continued support of the ultimate parent company. In view of the significance of this uncertainty, we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Company's affairs as at 21 March 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham



2004

PROFIT & LOSS ACCOUNT
Year Ended 21 March 2004

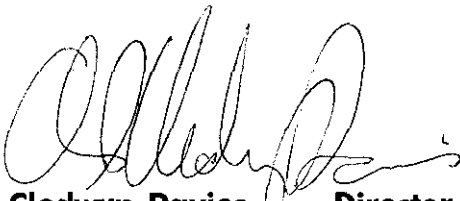
	Note	2004 £000
TURNOVER		-
OPERATING PROFIT/(LOSS)		-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		-
Interest payable and similar charges	3	(8,006)
Interest receivable and similar income	3	4,253
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<hr/> (3,753)
TAX ON LOSS ON ORDINARY ACTIVITIES	4	1,126
LOSS RETAINED FOR THE FINANCIAL YEAR		<hr/> (2,627)
LOSS BROUGHT FORWARD		<hr/> -
LOSS CARRIED FORWARD		<hr/> (2,627) <hr/>

There were no other recognised gains or losses during the year. All results derive from continuing operations. There were no profit and loss account transactions for the period ended 21 March 2003.

BALANCE SHEET
21 March 2004

	Note	Year ended 21 March 2004 £000	Period ended 21 March 2003 £000
CURRENT ASSETS			
Amount due from Group undertakings : amounts falling due within one year		254,251	-
Prepayments	5	98,531	-
Corporation tax receivable		1,126	-
Cash at bank and in hand		65	-
		<u>353,973</u>	<u>-</u>
CREDITORS			
Amounts due to Group undertakings : amounts falling due after more than one year	6	<u>(250,000)</u>	<u>-</u>
NET CURRENT ASSETS		<u>103,973</u>	<u>-</u>
NET ASSETS		<u>103,973</u>	<u>-</u>
CAPITAL AND RESERVES			
Called up share capital	7	1	-
Share premium account		106,599	-
Net income		<u>(2,627)</u>	<u>-</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	8	<u>103,973</u>	<u>-</u>

These financial statements were approved by the Board of Directors on 25 May 2004.


A D Cledwyn-Davies **Director**

NOTES TO THE ACCOUNTS

Year Ended 21 March 2004

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financing of the ALSTOM Group (the Group) is co-ordinated through centrally held Group banking and treasury facilities held by the Company's ultimate parent company, ALSTOM. Accordingly, the Company is dependent on the continuing financial support and funding from ALSTOM.

In preparing ALSTOM's consolidated financial statements for the year ended 31 March 2004, the Group has taken into account the matter set out hereafter:

1) The Financing Package concluded by ALSTOM with its bankers and the French State in September 2003, the main features of which are:

Strengthening of the Group's equity through :

Share Capital Increase with preferential rights	€300m
Issue of Bonds Mandatorily Reimbursable with Shares (ORA) with 5 year maturity:	€900m
Long-Term Instruments	
Subordinated Bond (French State) with 20 year maturity	€300m
Subordinated Bond (French State) with 15 year maturity	€200m
Medium-Term Loans	
Subordinated Loan (French State) with 5 year maturity	€300m
Subordinated Loans (Banks) with 5 year maturity	<u>€1200m</u>
TOTAL	€3200m

The Financing Package also provides for short-term facilities being made available in an amount of 1.5 billion Euro, of which the share of the French State is 1.2 billion Euro, until the long-term part of the Financing Package is fully implemented. The Financing Package was approved at an Extraordinary General Meeting held on 18 November 2003.

As at 31 March 2004 the Group would have failed to comply with those covenants related to "consolidated net worth" and "EBITDA". Accordingly the Group obtained agreement from its lenders to suspend the covenants it had previously negotiated until 30 September 2004.

2) The Group obtained bonding and guarantee facilities as a result of the Financing Package agreed in September 2003 of 3500 million Euro, of which 65% was guaranteed by the Republic of France. This facility was sufficient to meet approximately one year of orders and is now expected to be used by the end of the second quarter of the new financial year. The Group has entered into discussions with certain of its main banks to secure access to contract bonding and guarantee facilities.

3) The approval of the European Commission for the Financing Package announced on 22 September 2003 remains outstanding. The investigation will determine whether the Financing Package and certain other transactions with entities controlled by the French State are compatible with the laws of the European common market.

Having considered the matters set out above, the Group has concluded that the going concern principle is the appropriate basis of preparation for the ALSTOM Group consolidated financial statements on the assumption it will be able to:

- Secure contract bonding and guarantee facilities to meet its normal business activity,
- Successfully negotiate new covenants with its lenders,
- Obtain all necessary approvals from the European Commission,
- Generate operating income and cash flow sufficient to respect covenants or waivers being granted, thus ensuring continued availability of debt financing.

Further details on the matters outlined above can be obtained from the ALSTOM Group financial statements.

In relation to the matters outlined above and the continued availability of financial support from ALSTOM the directors of the Company have 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.

The financial statements do not include any adjustments that would result from the non-availability of either the continued financial support from ALSTOM and/or the Group banking and treasury facilities currently utilised by the Company.

2. ACCOUNTING POLICIES

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

(i) **Accounting convention**

The financial statements are prepared under the historical cost convention.

(ii) **Cash flow statement**

The Directors have taken advantage of the exemption contained in Financial Reporting Standard No 1 (revised) 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.

(iii) **Taxation**

Taxation on profit on ordinary activities is that which has become or becomes payable in respect of the profits of the period. Deferred taxation is provided in full on timing differences which represent a liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

3. PROFIT AND LOSS

The Company has no employees. Directors are remunerated by other Group companies. Audit fees are paid by another Group company.

	2004 £000	2003 £000
Interest payable and similar charges		
Amortisation of Financial Option Premium (note 5)	<u>8,006</u>	<u>-</u>
Interest receivable and similar income		
Interest receivable - Group	(4,251)	-
- Other	<u>(2)</u>	<u>-</u>
	<u>(4,253)</u>	<u>-</u>

4. TAX ON LOSS ON ORDINARY ACTIVITIES

	2004 £000	2003 £000
United Kingdom Corporation Tax at 30% based on loss for the year	<u>1,126</u>	<u>-</u>

The actual tax charge is at the standard rate of corporation tax at 30%.

5. PREPAYMENTS

Represents an option fee of £106,600,000 paid to ALSTOM UK Holdings Ltd. It is being amortised over the life of the loan subsequently drawn down on 12 September 2003. The balance is the unamortised portion of the fee.

6. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

This represents the loan drawn down on 12 September 2003. The loan is interest free and is repayable on 3 September 2010.

7. CALLED UP SHARE CAPITAL

	2004 £	2003 £
Authorised share capital	10,000	10,000
Number of shares of £0.01 each authorised	<u>1,000,000</u>	<u>1,000,000</u>
Issued share capital	<u>1,192</u>	<u>2</u>
Number of shares of £0.01 each issued	<u>119,200</u>	<u>200</u>

On 24 March 2003, the Company allotted 119,000 ordinary shares of £0.01 each for a cash consideration of £106,600,000 to enable it to acquire the option referred to in note 5.

8. MOVEMENT ON SHAREHOLDERS' FUNDS

	Year ended 21 March 2004 £000	Period ended 21 March 2003 £000
Issue of shares	106,600	-
Loss for the period	<u>(2,627)</u>	<u>-</u>
	103,973	-
Opening shareholders' funds	<u>-</u>	<u>-</u>
Closing shareholders' funds	<u>103,973</u>	<u>-</u>

9. POST BALANCE SHEET EVENTS

On 29 March 2004 the members of the Company passed a resolution to re-register the Company as an unlimited company with effect from 31 March 2004.

On 31 March 2004 the Company directed ALSTOM Ltd to repay the loan of £250,000,000.

On 31 March 2004 the Company agreed to enter into an agreement with ALSTOM UK Holdings Ltd for the purchase of the entire issued share capital of ALSTOM TDT Loan Ltd for a cash consideration of £166,500,000.

On 31 March 2004 the members of the Company passed a resolution for the Company to reduce its share premium account by £106,598,810 pursuant to Section 135 of the Companies Act 1985 and Article 4 of the Company's Articles of Association.

On 31 March 2004 the Company agreed to pay an interim dividend of £83,500,000.

10. ULTIMATE PARENT COMPANY

The Company's ultimate parent company 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 25, avenue Kléber, 75116 Paris, France, or via the ALSTOM website at www.alstom.com.

11. 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 accounts.