

Alstec Power Systems Limited

Report and Financial Statements

31 March 2004



REPORT AND FINANCIAL STATEMENTS

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Melling
G Wesley

SECRETARY

G Wesley

REGISTERED OFFICE

Cambridge Road
Whetstone
Leicester
LE8 6LH

AUDITORS

KPMG LLP
1 Waterloo Way
Leicester
LE1 6LP

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2004.

ACTIVITIES

The principal activities of the company are the design, manufacture, engineering and installation of electrical control systems across a wide range of industries.

REVIEW OF DEVELOPMENTS

Turnover for the year was £966,000 (31 March 2003 - £791,000) on which a profit for the financial year of £376,000 (31 March 2003 - loss £101,000) was made.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend. The profit for the year of £376,000 (31 March 2003 - loss £101,000) has been taken to reserves.

DIRECTORS AND THEIR INTERESTS

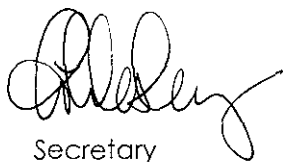
The directors who served during the year were as follows:

M R Melling

G Wesley

The directors who held office at 31 March 2004 held no interests requiring disclosure under Schedule 7 of the Companies Act 1985.

Approved by the Board of Directors
and signed on its behalf



Secretary

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 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



KPMG LLP

1 Waterloo Way

Leicester

LE1 6LP

United Kingdom

Report of the independent auditors to the members of Alstec Power Systems Limited

We have audited the financial statements on pages 5 to 13.

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 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

30 June 2004

KPMG LLP

Chartered Accountants

Registered Auditor

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2004

	Note	Year ended 31 March 2004 £000	Year ended 31 March 2003 £000
TURNOVER	2	966	791
Cost of sales		(88)	(269)
Gross profit		<u>878</u>	<u>522</u>
Selling and marketing costs		(335)	(320)
Administrative expenses		(26)	(356)
		<u>(361)</u>	<u>(676)</u>
OPERATING PROFIT/(LOSS)		517	(154)
Interest receivable and similar income		-	-
Interest payable and similar charges		-	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4	517	(154)
Tax on profit/loss on ordinary activities	5	(141)	53
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	12	<u>376</u>	<u>(101)</u>

All activities derive from continuing operations.

There are no recognised gains and losses other than the loss for the year. Accordingly, no statement of total recognised gains and losses is given.

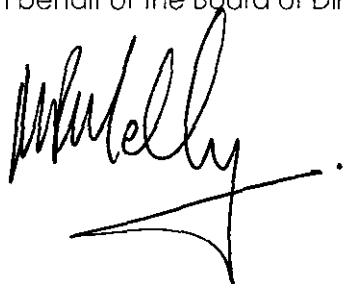
BALANCE SHEET 31 March 2004

	Note	31 March 2004 £000	31 March 2003 £000
FIXED ASSETS			
Tangible assets	6	<u>1</u>	<u>4</u>
CURRENT ASSETS			
Stocks	7	51	54
Debtors	8	1,465	1,147
Cash at bank and in hand		-	171
		<u>1,516</u>	<u>1,372</u>
CREDITORS: amounts falling due within one year	9	<u>(139)</u>	<u>(313)</u>
NET CURRENT ASSETS		<u>1,377</u>	<u>1,059</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,378</u>	<u>1,063</u>
CREDITORS: amounts falling due after more than one year		-	-
PROVISIONS FOR LIABILITIES AND CHARGES	10	<u>(11)</u>	<u>(72)</u>
		<u>1,367</u>	<u>991</u>
CAPITAL AND RESERVES			
Called up share capital	11	2,900	2,900
Profit and loss account – deficit	12	<u>(1,533)</u>	<u>(1,909)</u>
EQUITY SHAREHOLDERS' FUNDS	13	<u>1,367</u>	<u>991</u>

These financial statements were approved by the Board of Directors on 24 June 2004.

Signed on behalf of the Board of Directors

Director



NOTES TO THE ACCOUNTS

Year ended 31 March 2004

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable UK accounting standards. The following accounting policies have been consistently applied to matters which are considered material to the financial statements.

Basis of preparation

The financial statements are prepared under the historical cost convention.

Cash flow statement

The company has taken advantage of the provision of FRS No. 1 (revised) not to prepare a cash flow statement on the basis that consolidated accounts in which the results of Alstec Power Systems Ltd are included, are publicly available.

Related party transactions

In respect of the year ended 31 March 2004, the company was ultimately a wholly owned subsidiary and, accordingly, has taken advantage of the exemptions of FRS No. 8 which exempts the company from disclosure of all intra group transactions, as the consolidated accounts of its ultimate parent company are publicly available.

Tangible fixed assets

Fixed assets are shown at cost, net of depreciation and provision for permanent diminution in value.

Depreciation is provided at rates calculated to write-off the cost, less estimated residual value, of each asset on a straight line basis over its estimated useful economic life as follows:

IT equipment	33% per annum
Plant and machinery	20% per annum
Fixtures and fittings	20% per annum
Motor vehicles	25% per annum

Residual value is calculated based on prices prevailing at the date of acquisition.

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at cost incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

Taxation

Corporation tax payable is provided on taxable profits at the current rate. The taxation liabilities of certain group companies may be reduced, wholly or in part, by the surrender of losses by fellow group companies. The tax benefits arising from such group relief are recognised in the accounts of the surrendering and recipient companies.

Deferred taxation, which arises from differences in the timing of the recognition of items in the accounts and by the tax authorities, has been calculated using the liability method. Overall the company has a deferred tax asset. This has not been recognised as its recovery is not certain without replacement by equivalent debit balances.

Post retirement benefits

Defined contribution pension schemes

The group operates defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Defined benefit pension scheme

The group also operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group.

Foreign currency

Transactions denominated in foreign currencies are recorded in local currency at actual exchange rates as of the date of the transaction (or, where appropriate, at the rate of exchange in a related forward exchange contract). Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the period end (or, where appropriate, at the rate of exchange in a related forward exchange contract).

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Turnover

Turnover, other than that relating to long-term contracts, comprises the value of amount invoiced (excluding trade discounts, VAT and similar taxes) for goods and services provided in the normal course of business.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term.

Research and development

Expenditure on research and development is written off in the period in which it is incurred.

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

2. TURNOVER

Geographical analysis of turnover by destination is as follows:	Year ended 31 March 2004 £000	Year ended 31 March 2003 £000
United Kingdom	962	791
Europe	-	-
Asia	4	-
Rest of World	-	-
	<u>966</u>	<u>791</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

There were no Directors emoluments for the years ended 31 March 2004 or 31 March 2003.

	Year ended 31 March 2004	Year ended 31 March 2003
	No	No
Average number of persons employed		
Production and engineering	5	7
Sales and commercial	5	6
Administration	-	-
	<u>10</u>	<u>13</u>
	£000	£000
Staff costs during the year		
Wages and salaries	345	410
Social security costs	31	35
Pension costs	18	22
	<u>394</u>	<u>467</u>

4. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(Loss) on ordinary activities before taxation is stated after charging:	Year ended 31 March 2004 £000	Year ended 31 March 2003 £000
Depreciation and amortisation	2	18
Rentals under operating leases	38	47
Auditors' remuneration	-	-
Audit services	-	-
Non audit services	-	-
	<u></u>	<u></u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 March 2004 £000	Year ended 31 March 2003 £000
United Kingdom corporation tax	141	(53)
	<u>141</u>	<u>(53)</u>
Factors affecting tax charge for the year	Year ended 31 March 2004 £000	Year ended 31 March 2003 £000
Profit/(Loss) on ordinary activities before taxation	517	(154)
Profit/(Loss) on ordinary activities multiplied by standard rate of UK Corporation Tax of 30% (2003; 30%)	155	(46)
Expenses not tax deductible	1	1
Capital allowances for the year in excess of depreciation	(9)	(8)
Benefit of small company rate	(6)	-
Current tax charge for the year	<u>141</u>	<u>(53)</u>

6. TANGIBLE FIXED ASSETS

	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost				
At 1 April 2003	9	172	38	219
Additions	-	-	-	-
Disposals	(9)	(25)	(23)	(57)
	<u>-</u>	<u>147</u>	<u>15</u>	<u>162</u>
At 31 March 2004	-	147	15	162
Accumulated depreciation				
At 1 April 2003	9	172	34	215
Charge for the year	-	-	2	2
Disposals	(9)	(25)	(22)	(56)
	<u>-</u>	<u>147</u>	<u>14</u>	<u>161</u>
At 31 March 2004	-	147	14	161
Net book value				
At 31 March 2004	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
At 31 March 2003	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

7. STOCKS

	31 March 2004 £000	31 March 2003 £000
Long term contract balances	51	54
Finished goods and goods for resale	-	-
	<u>51</u>	<u>54</u>

8. DEBTORS

	31 March 2004 £000	31 March 2003 £000
Amounts falling due within one year		
Trade debtors	240	327
Amounts owed by other group undertakings	1,225	820
	<u>1,465</u>	<u>1,147</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2004 £000	31 March 2003 £000
Trade creditors	94	217
Other creditors	22	9
Accruals and deferred income	23	87
	<u>139</u>	<u>313</u>

10. PROVISIONS FOR LIABILITIES AND CHARGES

	Other provisions £000	Warranties £000	TOTAL £000
Balance at 1 April 2003	60	12	72
Created in the year	32	-	32
Utilised in the year	(92)	(1)	(93)
Balance at 31 March 2004	<u>-</u>	<u>11</u>	<u>11</u>

The warranty provision covers future expected expenditure committed at the time of the sale of the contract for the warranty periods of the long-term contracts. The warranty period of contracts is typically one year in duration.

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

11. CALLED UP SHARE CAPITAL

	31 March 2004 £	31 March 2003 £
Authorised Ordinary shares of £1 each	2,900,000	2,900,000
Called up, allotted and fully paid Ordinary shares of £1 each	2,900,000	2,900,000

12. PROFIT AND LOSS ACCOUNT

	31 March 2004 £000
At beginning of the year	(1,909)
Retained profit for the year	376
At end of the year	(1,533)

13. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	31 March 2004 £000	31 March 2003 £000
Profit/(Loss) for the financial year	376	(101)
Opening equity shareholders' funds	991	1,092
Closing equity shareholders' funds	1,367	991

14. FINANCIAL COMMITMENTS

There were no capital commitments at 31 March 2004 or 31 March 2003.

Operating lease commitments

At 31 March 2004, the company was committed to making the following payments during the next year in respect of operating leases:

	31 March 2004		31 March 2003	
	Land and buildings £000	Motor vehicles £000	Land and buildings £000	Motor vehicles £000
Leases which expire:				
Within one year	-	-	-	-
Within two to five years	105	-	92	-
After five years	-	-	-	-
	105	-	92	-

NOTES TO THE ACCOUNTS

Year ended 31 March 2004

15. PENSION ARRANGEMENTS

The company participates in The ALSTEC Pension Scheme, a defined benefit pension scheme for all eligible employees of the Group which commenced on 1 April 2001 and, from October 2001, introduced a money purchase section for new joiners, the assets of which are held in separate, trustee administered funds.

An independent actuary prepares valuations of the Scheme at least every three years and, in accordance with his recommendations, the Group makes contributions to the Scheme. The cost of the defined benefit section, including the amortisation of any experience surplus or deficit, is charged to the profit and loss account on a systematic and rational basis over the expected remaining working lives of the employees. The amounts charged to the profit and loss account in respect of the money purchase section represent contributions payable in respect of the accounting period.

The Group paid contributions of 8.0% of Pensionable Salaries to the final salary section and 6.0% of Pensionable Salaries to the money purchase section.

The pension cost for the scheme was £18,000 (2003: £22,000). There was a provision of £NIL (2003: £NIL) in the balance sheet representing the difference between the amount charged in the profit and loss account and the amount paid into the pension scheme. Contributions amounting to £NIL (2003: £NIL) were payable to the scheme.

The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 "Retirement benefits", will account for the scheme under this accounting standard as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account under FRS 17 will represent the contributions payable to the scheme in respect of the accounting period.

16. ULTIMATE PARENT COMPANY

The company's ultimate parent company is Alstec Group Limited, a company incorporated in the UK.

Copies of its accounts are available from the Registrar of Companies.