

Registered in England
and Wales No. 461146

**GEC ALSTHOM Turbine Generators
Services Limited**

**Report and Financial Statements
For the year ended
31 March 1997**



Directors' report

For the year ended 31 March 1997

The directors present their report and the financial statements for the financial year ended 31 March 1997.

1. Principal activity and business review

The principal activity of the company is to provide local contracting services in Asia for power station projects.

The company is currently trading the erection element of the Sual contract in the Philippines, which will eventually provide two 609 megawatt coal fired units each with flue gas desulphurisation.

2. Results and dividends

Results, dividends proposed and recommended transfers to reserves are as follows:

| | |
|----------------------------------|---------|
| | £ |
| Retained profit at 1 April 1996 | 584,673 |
| Loss for the year after taxation | (1,975) |
| | <hr/> |
| Retained profit at 31 March 1997 | 582,698 |
| | <hr/> |

The directors do not recommend the payment of a dividend (1996 = £nil).

3. Directors and their interests

The directors who served during the year are shown below

J.L. Foster
J.C. Thwaites
A.G. Walsh Atkins (Resigned 28th May 1997)
R.H. Rogers
M.G. Magness

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 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.

Directors' report (continued)

4. Auditors

The directors will place a resolution before the annual general meeting to reappoint Deloitte & Touche as auditors for the ensuing year.

Approved by the Board of Directors
and signed on behalf of the Board.



Susan M Britten
Secretary

Booths Hall
Chelford Road
Knutsford
Cheshire
WA16 8GE

Date: 6th November 1997

Statement of directors' responsibilities

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, subject to any material departures disclosed and explained; 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.

Auditors' report to the members of GEC ALSTHOM Turbine Generators Services Limited

We have audited the financial statements on pages 5 to 11 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 affairs of the company at 31 March 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors

Colmore Gate
2 Colmore Row
Birmingham
B3 2BN

Date: 11 November 1997

Profit and Loss account

31 March 1997

| | Notes | 1997 £ | 1996 £ |
|--|-------|----------------|----------------|
| Turnover | 2 | - | - |
| Cost of sales | | - | (667,638) |
| Gross loss | | - | (667,638) |
| Administrative expenses | | (3,975) | - |
| Operating loss being loss on ordinary activities before taxation | 3 | (3,975) | (667,638) |
| Tax on loss on ordinary activities | 4 | 2,000 | 222,000 |
| Retained loss for the year | | (1,975) | (445,638) |
| Retained profit brought forward | | 584,673 | 1,030,311 |
| Retained profit carried forward | | <u>582,698</u> | <u>584,673</u> |

All activity has arisen from continuing operations. The company has no recognised gains or losses other than the loss for the financial year.

The accompanying notes are an integral part of this profit and loss account.

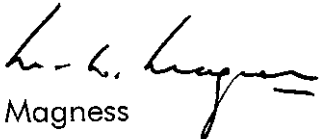
Balance Sheet

31 March 1997

| | Notes | 1997 £ | 1996 £ |
|--|-------|--------------------|--------------------|
| Fixed assets | | | |
| Tangible assets | 5 | <u>17,677</u> | <u>11,988</u> |
| Current assets | | | |
| Stocks and contracts in progress | 6 | - | 1,476,881 |
| Debtors | 7 | 5,217,157 | 772,613 |
| Cash at bank and in hand | | <u>1,563,263</u> | <u>2,278,218</u> |
| | | 6,780,420 | 4,527,712 |
| Creditors: amounts falling due within one year | 8 | <u>(6,149,399)</u> | <u>(3,889,027)</u> |
| Net current assets | | <u>631,021</u> | <u>638,685</u> |
| Total assets less current liabilities | | 648,698 | 650,673 |
| Provisions for liabilities and charges | 9 | <u>(1,000)</u> | <u>(1,000)</u> |
| Net assets | | <u>647,698</u> | <u>649,673</u> |
| Capital and reserves | | | |
| Called up share capital | 10 | 65,000 | 65,000 |
| Profit and loss account | | <u>582,698</u> | <u>584,673</u> |
| Equity shareholders' funds | 11 | <u>647,698</u> | <u>649,673</u> |

These financial statements were approved by the board of directors on 6 November 1997.

Signed on behalf of the board



M.G. Magness
Director

The accompanying notes are an integral part of this balance sheet.

Notes to the accounts

31 March 1997

1. Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies are described below.

a) *Basis of accounting*

The accounts are prepared under the historical cost convention.

b) *Turnover*

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services provided in the normal course of business. Profit is accounted for in line with the stage of completion when the outcome of the contract can be determined with reasonable certainty. All known or anticipated losses are provided for as soon as they are foreseen.

c) *Foreign currency*

Transactions denominated in foreign currencies are recorded in the 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 year 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 transaction is included as an exchange gain or loss in the profit and loss account.

d) *Tangible fixed assets*

Tangible fixed assets are shown at historical cost.

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 expected useful life as follows:

Fixtures & Fittings 5 years (20% per annum)

e) *Stocks and contracts in progress*

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads. Provisions are made for any losses incurred or expected to be incurred on uncompleted contracts. Profit on long-term contracts is taken when a sale is recorded on part delivery or part performance of services, provided that the outcome of the contract can be assessed with reasonable certainty.

Advance payments received from customers are shown as payments on account of contracts until there is a right of set-off against the value of work undertaken. Progress payments received are deducted from the value of work carried out, any excess being included within payments received on account.

Notes to the accounts (continued)

f) Taxation

Taxation on profit on ordinary activities is that which has become or becomes payable in respect of the profits of the year. Deferred taxation is provided at the rate of corporation tax expected to arise in the year of assessment on differences arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the accounts to the extent that it is probable that a liability or asset will crystallise in the future.

2. Turnover

No turnover arose during the year.

3. Loss on ordinary activities before taxation

Loss on ordinary activities is stated after charging:

| | 1997 £ | 1996 £ |
|--|-----------|-----------|
| Depreciation (charged to work in progress) | 3,020 | 3,141 |
| Auditors' remuneration | 3,975 | 2,037 |
| | <hr/> | <hr/> |

There were no staff or directors' costs during the year (1996 - nil).
There were no employees other than directors.

4. Tax on loss on ordinary activities

The tax credit is based on the loss for the year and comprises:

| | 1997 £ | 1996 £ |
|--|-----------|-----------|
| Group relief receivable at 33% (1996 = 33%) | (2,000) | (220,000) |
| Adjustment of current taxation in respect of prior years | - | (2,000) |
| | <hr/> | <hr/> |
| | (2,000) | (222,000) |
| | <hr/> | <hr/> |

Notes to the accounts (continued)

5. Tangible fixed assets

The movement in the year was as follows:

| | Fixtures and Fittings £ |
|-------------------|-------------------------------|
| Cost | |
| Beginning of year | 15,891 |
| Additions | 8,709 |
| Disposals | - |
| | <hr/> |
| End of year | 24,600 |
| | <hr/> |
| Depreciation | |
| Beginning of year | 3,903 |
| Charge for year | 3,020 |
| | <hr/> |
| End of year | 6,923 |
| | <hr/> |
| Net book value | |
| Beginning of year | 11,988 |
| | <hr/> |
| End of year | 17,677 |
| | <hr/> |

The company had no capital commitments at the year end (1996 = £nil)

6. Stocks and long term contracts

| | 1997 £ | 1996 £ |
|---------------------|-------------|-----------|
| Work in progress | 3,774,627 | 1,476,881 |
| Payments on account | (3,774,627) | - |
| | <hr/> | <hr/> |
| | - | 1,476,881 |
| | <hr/> | <hr/> |

Notes to the accounts (continued)

7. Debtors

| | 1997 £ | 1996 £ |
|--------------------------------------|-----------|-----------|
| Amounts falling due within one year: | | |
| Trade debtors | 1,850,448 | 394,252 |
| Amounts owed by group undertakings | 2,847,042 | 74,629 |
| Group relief receivable | 240,732 | 238,732 |
| Amounts owed by parent company | 65,000 | 65,000 |
| Other debtors | 213,935 | - |
| | <hr/> | <hr/> |
| | 5,217,157 | 772,613 |
| | <hr/> | <hr/> |

8. Creditors: Amounts falling due within one year

| | 1997 £ | 1996 £ |
|------------------------------------|-----------|-----------|
| Bank overdraft | 4,496,921 | 1,640,728 |
| Payments received on account | 521,642 | 1,771,523 |
| Trade creditors | 119,196 | 2,914 |
| Amounts owed to group undertakings | 984,237 | 444,237 |
| Overseas taxation payable | 27,403 | 27,403 |
| Other creditors | - | 2,222 |
| | <hr/> | <hr/> |
| | 6,149,399 | 3,889,027 |
| | <hr/> | <hr/> |

The bank overdraft is included under a GEC ALSTHOM group facility.

9. Provisions for liabilities and charges

The amounts provided for deferred taxation and the full potential liability at 33% are set out below:

| | 1997 £ | 1996 £ |
|--------------------------------|-----------|-----------|
| Accelerated capital allowances | 1,000 | 1,000 |
| | <hr/> | <hr/> |

Notes to the accounts (continued)

10. Share Capital

| | Authorised £ | Allotted and fully paid £ |
|---|-----------------|---------------------------------|
| Ordinary shares of £1 each at 1 April 1996 and 31 March 1997 | 205,000 | 65,000 |

11. Reconciliation of movements in shareholders' funds

| | 1997 £ | 1996 £ |
|-----------------------------|-----------|-----------|
| Opening shareholders' funds | 649,673 | 1,095,311 |
| Loss for the financial year | (1,975) | (445,638) |
| Closing shareholders' funds | 647,698 | 649,673 |

12. Ultimate Parent Company

The company's ultimate parent company is GEC ALSTHOM NV, a company incorporated in the Netherlands.

The largest group in which the results of the company are consolidated is that headed by GEC ALSTHOM NV. The smallest group in which they are consolidated is that headed by GEC ALSTHOM Limited, a company incorporated in England and Wales. A copy of the GEC ALSTHOM Limited accounts can be obtained from Companies House, Crown Way, Maindy, Cardiff.

Pursuant to the exemption granted by Financial Reporting Standard 8 "Related Party Disclosures", transactions with other undertakings within the GEC ALSTHOM Group have not been disclosed in these financial statements.

13. Related Party Transactions

The General Electric Company, p.l.c. and Alcatel Alsthom are the ultimate shareholders in GEC ALSTHOM NV. During the course of the year ended 31 March 1997 there were no sales to or purchases from their various group companies in the ordinary course of business.