

Cegelec AEG Automation Systems Limited

Accounts for the period ended 31 December 1996
together with directors' and auditors' reports

Registered number: 3141789



Directors' report

For the period from incorporation on 20 December 1996 to 31 December 1996

The directors present their first annual report on the affairs of the company, together with the accounts and auditors' report, for the period ended 31 December 1996.

Principal activities and business review

The company was incorporated on 20 December 1995 as AEG Automation Systems Limited and commenced trading on 1 January 1996 when it acquired the trade and assets of the Industrial Automation Division of AEG (UK) Limited. The company's name was changed to Cegelec AEG Automation Systems Limited on 9 December 1996.

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

Company turnover for the period was £19,151,522 on which a profit after tax of £110,528 was made.

At the close of business on 31 December 1996, the whole of the share capital of the company was transferred from Cegelec AEG Anlagen und Automatisierungstechnik GmbH to Cegelec Controls Limited, a company incorporated in the United Kingdom.

Results and dividends

Results and dividends are as follows:

	£'000
Profit for the financial period	111
Goodwill written off	(150)
Accumulated deficit at 31 December 1996	<u>(39)</u>

No dividend can be paid.

Directors and their interests

The Directors who served during the period and subsequently were as follows:

- P. E. S. Green (appointed 21 December 1995)
- H. R. Lass (appointed 1 April 1996)
- J. A. Davies (appointed 12 November 1996)
- M. Von Roon (appointed 21 December 1995, resigned 31 July 1996)
- E. G. Wallaschek (appointed 21 December 1995, resigned 31 July 1996)

The directors who held office at 31 December 1996 had no interests in the shares of the company required to be disclosed under Schedule 7 of the Companies Act 1985.

Director's report (continued)

Directors' responsibilities

Company law requires the Directors to prepare accounts for each financial period which 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 accounts, 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 accounts; and
- prepare the accounts 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 the accounts 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

In accordance with Section 384 (1) of the Companies Act 1985, the company has elected to appoint Arthur Andersen as auditors for the ensuing year.

Eskdale Road
Winnersh
Wokingham
Berkshire
RG41 5PF

By order of the Board,



B. B. Davies

Secretary

27 October 1997

Auditors' report

Birmingham

To the Shareholders of Cegelec AEG Automation Systems Limited:

We have audited the accounts on pages 4 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 8.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the company's state of affairs at 31 December 1996 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

1 Victoria Square
Birmingham
B1 1BD

27 October 1997

Profit and loss account

For the period ended 31 December 1996

	Notes	1996 £'000
Turnover	2	19,152
Cost of sales		(16,712)
Gross profit		2,440
Other operating expenses (net)	3	(2,183)
Operating profit		257
Interest receivable and similar income		9
Interest payable and similar charges	4	(101)
Profit on ordinary activities before taxation	5	165
Tax on profit on ordinary activities	7	(54)
Profit for the financial period	15	111

All the Company's turnover and profits were derived from acquisitions made during the period.

There are no recognised gains or losses in the period other than the profit for the financial period.

A statement of movements on reserves is given in note 15.

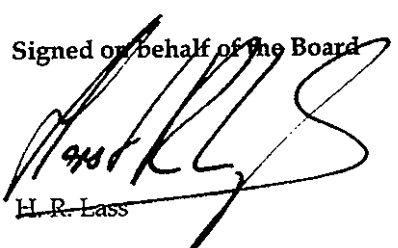
The accompanying notes are an integral part of this profit and loss account.

Balance sheet

31 December 1996

	Notes	1996 £'000
Fixed assets		
Tangible assets	9	<u>732</u>
Current assets		
Stocks	10	3,969
Debtors	11	8,669
Cash at bank and in hand		<u>2,351</u>
		14,989
Creditors: Amounts falling due within one year	12	<u>(14,187)</u>
		802
Net current assets		
Provisions for liabilities and charges	13	<u>(673)</u>
		861
Net assets		<u><u>861</u></u>
Capital and reserves		
Called-up share capital	14	900
Profit and loss account	15	<u>(39)</u>
Total shareholders' funds, all equity	16	<u><u>861</u></u>

Signed on behalf of the Board


H. R. Lass

Director

27 October 1997

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

Notes to accounts

For the period ended 31 December 1996

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Tangible fixed assets

Fixed assets are shown at cost less accumulated depreciation.

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 life as follows:

Leasehold buildings	16 ² / ₃ % per annum
Plant and machinery	10% per annum
Fixtures and fittings	25% to 50% per annum
Motor vehicles	25% per annum

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

c) Stocks and long-term contracts

Turnover and related profits are determined according to the stage of completion of individual contracts, after allowing for anticipated costs to completion.

Long-term contract balances included in stocks comprise costs incurred, net of amounts transferred to cost of sales and related payments on account. Costs include all direct material and labour costs incurred in bringing a contract to its state of completion at year-end, including an appropriate proportion of indirect expenses. Provisions for estimated losses on contracts are made in the period in which such losses are foreseen and are included in provisions for liabilities and charges. Long-term contract balances do not include attributable profit.

The balance of payments on account in excess of amounts offset against long-term contract balances is classified under creditors due within one year. Amounts invoiced on contracts are included under debtors.

Other stocks are stated at the lower of purchase cost, on a first-in, first-out basis, and net realisable value. Work-in-progress includes a reasonable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Notes to accounts (continued)

1 Accounting policies (continued)

d) *Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation, which arises from differences in the timing of the recognition of items in the accounts and by the tax authorities (principally contract provisions), has been calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

e) *Pension costs*

It is the policy of the company to recognise the cost of providing pensions on a systematic and rational basis over the period during which the company benefits from the services of the employees.

Any difference between the amounts charged in the profit and loss account and paid to the pension fund is shown in the balance sheet as a liability or asset.

f) *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 period-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.

g) *Turnover*

Turnover, other than that relating to long-term contracts (see note 1c), comprises the value of amounts invoiced (excluding VAT and trade discounts) for goods and services in the normal course of business.

h) *Leases*

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

i) *Research and development*

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

j) *Related party transactions*

Cegelec AEG Automation Systems Limited is a wholly owned subsidiary of Alcatel Alsthom SA and accordingly, has taken advantage of the provisions of Financial Reporting Standard No.8, which exempts the company from disclosure of its related party transactions, as the consolidated accounts of the ultimate parent undertaking are publicly available.

Notes to accounts (continued)

k) Cash flow statement

The company has taken advantage of the provisions of FRS No. 1 (Revised) not to prepare a cash flow statement on the basis that consolidated accounts, in which the results of Cegelec AEG Automation Systems Limited are included, are publicly available.

l) Goodwill

Goodwill on acquisition, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is written off against reserves.

2 Segment information

All the company's turnover and operating profits are derived from its principal activities originating from within the UK.

Analysis of turnover by destination is as follows:

	1996 £'000
United Kingdom	5,224
Europe	459
Asia	13,256
Rest of world	213
	<u>19,152</u>

3 Other operating expenses (net)

	1996 £'000
Selling and marketing costs	1,609
Administrative costs	574
	<u>2,183</u>

4 Interest payable and similar charges

	1996 £'000
Other loans	<u>101</u>

Notes to accounts (continued)

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1996 £'000
Depreciation of tangible fixed assets	309
Other operating lease rentals	114
Auditors' remuneration - audit fees	20
- non-audit fees	-
	<u> </u>

6 Staff costs

Particulars of employees (including executive directors) are as shown below:

	1996 £'000
Employee costs during the period amounted to:	
Wages and salaries	3,142
Social security costs	286
Pension costs	47
	<u> </u>
	3,475

The average monthly number of persons employed by the company during the period was as follows:

	1996 Number
Production and engineering	67
Sales and commercial	28
Administration	20
	<u> </u>
	115

Directors' remuneration:

Directors of the company received the following remuneration (including pension contributions):

	1996 £'000
Aggregate emoluments	<u> </u>
	138

The directors' remuneration shown above (excluding pensions and pension contributions) included:

Notes to accounts (continued)

6 Staff costs (continued)

	£
Highest paid director	<u>77,908</u>

The directors received emoluments (excluding pensions and pension contributions) in the following ranges:

	1996 Number
£ Nil - £ 5,000	3
£ 55,001 - £ 60,000	1
£ 75,001 - £ 80,000	<u>1</u>

7 Tax on profit on ordinary activities

The tax charge is based on the period for the year and comprises:

	1996 £'000
Corporation tax charge at 33%	<u>54</u>

There were no unprovided deferred tax liabilities at the period end.

Notes to accounts (continued)

8 Acquisition

The company was incorporated on 20 December 1995 as AEG Automation Systems Limited and commenced trading on 1 January 1996 when it acquired the trade and assets of the Industrial Automation Division of AEG (UK) Limited.

The following table sets out the book and fair values of the identifiable assets and liabilities of the Industrial Automation Division of AEG (UK) Limited acquired by the company.

	Book and Fair value £'000
Fixed assets	
Tangible assets	724
Current assets	
Stocks	798
Debtors	4,701
Cash	2
Total assets	<u>6,225</u>
Creditors	(3,038)
Provisions	(366)
Total liabilities	<u>(3,404)</u>
Net assets	2,821
Goodwill (written off to profit and loss reserve)	150
	<u>2,971</u>
Satisfied by	
Cash	900
Loan	2,071
	<u>2,971</u>

Notes to accounts (continued)

9 Tangible fixed assets

The movement in the period was as follows:

	Leasehold land and buildings £'000	Plant, machinery and other £'000	Fixtures and Fittings £'000	Total £'000
Cost				
Acquisitions	330	2,455	256	3,041
Additions	-	399	10	409
Disposals	-	(513)	(22)	(535)
End of period	<u>330</u>	<u>2,341</u>	<u>244</u>	<u>2,915</u>
Depreciation				
Acquisitions	329	1,808	180	2,317
Charge	1	300	22	323
Disposals	-	(436)	(21)	(457)
End of period	<u>330</u>	<u>1,672</u>	<u>181</u>	<u>2,183</u>
Net book value, end of period	<u>-</u>	<u>669</u>	<u>63</u>	<u>732</u>

10 Stocks

The following are included in the net book value of stocks:

	1996 £'000
Net cost less foreseeable losses	6,271
Less: Progress payments received and receivable	<u>(2,480)</u>
Long term contract balances	3,791
Raw materials and consumables	99
Finished goods and goods for resale	<u>79</u>
	<u>3,969</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

Notes to accounts (continued)

11 Debtors

The following are included in the net book value of debtors:

	1996 £'000
Amounts falling due within one year:	
Trade debtors	7,135
Amounts owed by other group undertakings	1,390
Other debtors	91
Prepayments and accrued income	53
	<u>8,669</u>

12 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	1996 £'000
Payments received on account	318
Trade creditors	3,241
Amounts owed to group undertakings	5,971
Other creditors	
- UK corporation tax payable	54
- other tax and social security	33
- other creditors	627
Accruals and deferred income	3,943
	<u>14,187</u>

Included in amounts owed to group undertakings are loan balances of £5,295,000. These loans do not bear interest charges and have no fixed repayment date.

13 Provisions for liabilities and charges

Provisions for liabilities and charges comprise:

	1996 £'000
Contract losses and warranties	<u>673</u>

Notes to accounts (continued)

13 Provisions for liabilities and charges (continued)

The movement on provision for contract losses and warranties comprises:

	1996 £'000
Acquisitions	366
Charged to the profit and loss account	307
End of period	<u>673</u>

14 Capital

	1996 £'000
<i>Authorised</i>	
900,000 ordinary shares of £1 each, all equity	<u>900</u>
<i>Allotted, called-up and fully-paid</i>	
900,000 ordinary shares of £1 each, all equity	<u>900</u>

The company was incorporated as AEG Automation Systems Limited with an issued share capital of 2 ordinary shares of £1 each. On 27 March 1996, the authorised share capital was increased from 1000 to 900,000 ordinary shares of £1 each. The remaining 899,998 ordinary shares of £1 each were allotted on 6 June 1996 at par for cash.

15 Reserves

	Profit and loss account £'000
Profit for the financial period	111
Goodwill written off (note 8)	(150)
End of period	<u>(39)</u>

Notes to accounts (continued)

16 Reconciliation of movements in shareholders' funds

	1996 £'000
Profit for the financial period	111
New shares issued	900
Goodwill written-off (note 8)	(150)
Closing shareholders' funds	<u>861</u>

17 Guarantees and other financial commitments

a) Capital commitments

At the end of the period capital commitments were:

	1996 £'000
Contracted for but not provided for	<u>83</u>

b) Lease commitments

The company has entered into non-cancellable operating leases. The minimum annual rentals under these leases are as follows:

	Land and Buildings £'000
Expiry date:	
- between two and five years	21
- after five years	141
	<u>162</u>

c) Pension arrangements

During the period certain of the company's employees become members of a group scheme, The Cegelec (UK) Pension Scheme ("The Scheme"). The Scheme is of a defined benefit type and is governed by the Definitive Trust Deed and Rules dated 25 February 1991 and is fully approved as an "exempt approved scheme" under the terms of the Income and Corporation Taxes Act 1988. The assets of the Scheme are held in a separate fund administered by the Trustees of the Scheme.

Contributions to the Scheme are assessed in accordance with the advice of a qualified actuary and are based on pension costs across the group as a whole. Pension cost in the period was £47,000.

Notes to accounts (continued)

17 Guarantees and other financial commitments (continued)

d) Guarantees

The group has entered into various bank guarantees and performance bonds in the normal course of business amounting to approximately £3,733,516.

18 Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party of the company is Alcatel Alsthom SA, a company incorporated in France.

The consolidated financial statements of the company's ultimate parent undertaking are available from 54 Rue La Boetie, Paris, France.