

VA TECH (UK) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2003



Company no 3562487

VA TECH (UK) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2003

Company registration number: 3562487

Registered office: North Farm Road
Hebburn
Tyne & Wear
NE31 1UP

Directors: C A Overstall
N A Sellar
R Snaith
W S Wyper
A Weinberger
A Krebs

Secretaries: D T McGargle
Dickinson Dees

Auditors: Grant Thornton
Registered Auditors
Chartered Accountants
St Johns Centre
110 Albion Street
Leeds
LS2 8LA

VA TECH (UK) LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2003

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VA TECH (UK) LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the financial statements for the year ended 31 December 2003.

Principal activity

The company is a holding company for subsidiaries which operate in the electrical transmission and distribution industry.

Business review

There was a loss for the year after taxation amounting to £8,561,000 (2002: £Nil). The directors cannot recommend the payment of a dividend.

Directors

The directors of the company during the year were as follows. Both directors served throughout the year.

C A Overstall
N A Sellar

The following directors were appointed after the year end:

R Snaith	(appointed 1 January 2004)
W S Wyper	(appointed 1 January 2004)
A Weinberger	(appointed 20 February 2004)
A Krebs	(appointed 20 February 2004)

No director, or their immediate family, had any beneficial interest in the shares of the company or other United Kingdom group companies during the year.

None of the directors had, during or at the end of the year, a material interest in any contract which was significant in relation to the company's business.

Directors' responsibilities for the financial statements

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 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 in the financial statements
- 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

VA TECH (UK) LIMITED

REPORT OF THE DIRECTORS

Auditors

Grant Thornton offer themselves for re-appointment as auditors in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to read 'C A Overstall', written in a cursive style.

C A Overstall
Director
19 March 2004

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
VA TECH (UK) LIMITED**

We have audited the financial statements of VA TECH (UK) Limited for the year ended 31 December 2003 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 15. 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

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 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.

We read other information contained in the directors' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
VA TECH (UK) LIMITED (CONTINUED)**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

LEEDS
23 March 2004

VA TECH (UK) LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Being a wholly owned subsidiary of VA TECH Schneider High Voltage GmbH, the company is exempt under FRS1 (revised) from publishing a cash flow statement. The cash flows of the company are included in the consolidated cash flow statement of VA TECH Schneider High Voltage GmbH.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

OPERATING INCOME

Operating income represents management charges levied on the company's subsidiary, VA TECH Transmission & Distribution Limited for services provided on its behalf. Income is recognised in the period that the services were provided.

INVESTMENTS

Investments are included at cost less amounts written off.

FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

DEFERRED TAXATION

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

VA TECH (UK) LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2003

	Note	2003 £'000	2002 £'000
Administration expenses		(566)	(36)
Amounts written off investments	6	(8,000)	-
Operating income		<u>250</u>	<u>240</u>
Operating loss		(8,316)	204
Other interest receivable and similar income	2	-	15
Interest payable and similar charges	3	<u>(245)</u>	<u>(219)</u>
Loss on ordinary activities before taxation		(8,561)	-
Tax on profit on ordinary activities	5	<u>-</u>	<u>-</u>
Loss for the financial year transferred to reserves	10	<u>(8,561)</u>	<u>-</u>

There were no recognised gains or losses other than the result for the financial year.

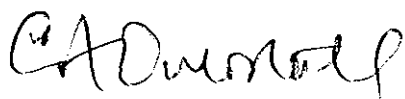
The accompanying accounting policies and notes form an integral part of these financial statements.

VA TECH (UK) LIMITED

BALANCE SHEET AT 31 DECEMBER 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Investments	6	<u>20,240</u>	<u>28,240</u>
Current assets			
Debtors	7	4,549	4,419
Creditors: amounts falling due within one year	8	<u>(9,712)</u>	<u>(9,021)</u>
Net current liabilities		<u>(5,163)</u>	<u>(4,602)</u>
Total assets less current liabilities		<u>15,077</u>	<u>23,638</u>
Capital and reserves			
Called up share capital	9	34,675	34,675
Profit and loss account	10	<u>(19,598)</u>	<u>(11,037)</u>
Equity shareholders' funds	11	<u>15,077</u>	<u>23,638</u>

The financial statements approved by the Board of Directors on 19 March 2004.



C A Overstall

Director

The accompanying accounting policies and notes form an integral part of these financial statements.

VA TECH (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

1 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The company is a holding company.

The loss on ordinary activities is stated after charging/(crediting):

	2003 £'000	2002 £'000
Auditors' remuneration:		
Audit services	1	4
Management fees	(250)	(240)

2 INTEREST RECEIVABLE AND SIMILAR INCOME

	2003 £'000	2002 £'000
Bank interest receivable	-	3
Interest receivable from group undertakings	-	12
	-	15

3 INTEREST PAYABLE AND SIMILAR INCOME

	2003 £'000	2002 £'000
Bank interest payable	-	205
Interest payable to group undertakings	245	14
	245	219

4 DIRECTORS AND EMPLOYEES

There were no staff costs during the year.

The average number of employees of the company, all of whom are directors, during the year was 2 (2002: 2).

Remuneration in respect of directors was as follows:

	2003 £'000	2002 £'000
Emoluments	137	142

Included within directors' emoluments is £137,000 (2002: £142,000) paid by subsidiary undertakings.

During the year 2 directors (2002: 2 directors) participated in the group defined benefit pension scheme.

VA TECH (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

5 TAX ON LOSS ON ORDINARY ACTIVITIES

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained as follows:

	2003 £	2002 £
Loss on ordinary activities before tax	<u>(8,561)</u>	<u>-</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	(2,568)	-
Effects of:		
Items not deductible for tax purposes	2,400	-
Current year tax losses on which tax relief cannot be claimed	<u>168</u>	<u>-</u>
Current year tax charge	<u>-</u>	<u>-</u>

6 FIXED ASSET INVESTMENTS

	Shares in group undertakings £'000
Cost	
At 1 January 2003 and 31 December 2003	<u>39,240</u>
Amounts written off	
At 1 January 2003	(11,000)
Impairment losses	(8,000)
At 31 December 2003	<u>(19,000)</u>
Net book amount at 31 December 2003	<u>20,240</u>
Net book amount at 31 December 2002	<u>28,240</u>

At 31 December 2003 the following companies were subsidiary undertakings:

	Country of incorporation	Proportion held	Nature of business
VA TECH Transmission & Distribution Limited	Great Britain	100%	Electrical transmission and distribution
VA TECH Reyrolle (Overseas Projects) Limited	Great Britain	100%	Electrical transmission and distribution
British Short-Circuit Testing Station Limited	Great Britain	100%	Electrical transmission and distribution
VA TECH Reyrolle Distribution Limited	Great Britain	100%	Dormant

VA TECH (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

FIXED ASSET INVESTMENTS (CONTINUED)

The company is entitled under section 228 of the Companies Act 1985 not to prepare group financial statements as it is, itself, a part of the VA Technologie AG group, a group incorporated in Austria. The information in these financial statements is presented as an individual undertaking.

7 DEBTORS

	2003 £'000	2002 £'000
Amounts owed by group undertakings	4,263	4,298
Other debtors	286	121
	<u>4,549</u>	<u>4,419</u>

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £'000	2002 £'000
Amount owed to parent undertaking	1,233	1,233
Amounts due to group undertakings	7,158	6,494
Social security and other taxation	1,309	1,283
Other creditors	12	11
	<u>9,712</u>	<u>9,021</u>

9 SHARE CAPITAL

	2003 and 2002 £'000
Authorised, allotted, called up and fully paid: 34,675,339 ordinary shares of £1 each	<u>34,675</u>

10 RESERVES

	Profit and loss account £'000
At 1 January 2003	(11,037)
Retained loss for the year	<u>(8,561)</u>
At 31 December 2003	<u>(19,598)</u>

VA TECH (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Loss for the financial year	(8,561)	-
Shareholders' funds at 1 January 2003	23,638	23,638
Shareholders' funds at 31 December 2003	15,077	23,638

12 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2003 and 31 December 2002.

13 CONTINGENT LIABILITIES

The company has a potential obligation under the group VAT registration amounting at 31 December 2003 to £2,224,000 (2002: £1,865,096).

In the normal circumstances of business the company has entered into arrangements in respect of export finance, performance bonds, countertrade obligations and minor miscellaneous items on behalf of subsidiary companies. Whilst the outcome of some of these matters cannot precisely be foreseen, the directors do not expect any of these arrangements, after allowing for provisions already made, to result in significant loss to the company.

14 RELATED PARTY TRANSACTIONS

As a wholly owned subsidiary of VA TECH Schneider High Voltage GmbH, the company is exempt from the requirement of FRS8 to disclose transactions with other members of the group headed by VA TECH Schneider High Voltage GmbH. VA TECH Schneider High Voltage GmbH is a joint venture (in which VA Technologie AG has an ultimate 60% shareholding).

During the year the company carried out a number of transactions in the normal course of business with related parties in the VA Technologie AG Group. The more significant transactions and amounts receivable or payable at 31 December 2003 are shown below:

	Value of transaction		Amounts owed to related party	
	2003	2002	2003	2002
	£	£	£	£
Loan payable (including interest payable)	-	-	(1,233)	(1,233)
Loan interest expense	245	(219)	-	-
Loan interest income	-	12	-	-

VA TECH (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

15 CONTROLLING RELATED PARTIES

The smallest group in which the results of the company are consolidated is VA TECH Schneider High Voltage GmbH. Copies of the annual report of VA TECH Schneider High Voltage GmbH can be obtained from VA TECH Schneider High Voltage GmbH, Penzinger Strasse 76, A-1141 Vienna, Austria.

The ultimate parent undertaking of the company is VA Technologie AG which is incorporated in Austria.

The largest group of undertakings for which group accounts have been drawn up is that headed by VA Technologie AG.

Copies of the annual report of VA Technologie AG can be obtained from VA Technologie AG, Communications and Investor Relations, Lunzerstrasse 64, A 4031 Linz, Austria.