



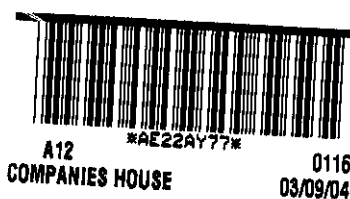
Accountants and business advisors

FAIVELEY UK LIMITED

Company Number: 2851510

ANNUAL REPORT

YEAR ENDED 31 MARCH 2004



FAIVELEY UK LIMITED

COMPANY INFORMATION

Directors	F Faiveley R Joyeux
Secretary	Sisec Limited
Company Number	2851510
Registered Office	Unit 10 Ninian Industrial Park Tame Valley Industrial Estate Wilnecote Tamworth B77 5DE
Auditors	PKF New Guild House 45 Great Charles Street Queensway Birmingham B3 2LX
Solicitors	Lovells 65 Holborn Viaduct London EC1A 2DY
Bankers	BNP Paribas London Branch 10 Harewood Avenue London NW1 6AA

FAIVELEY UK LIMITED

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FAIVELEY UK LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 MARCH 2004

The directors submit their report and the financial statements for the year ended 31 March 2004.

Results and dividends

The profit for the year, after taxation, amounted to £626,289 (2003 - £373,542).

The directors recommend a dividend of £313,145 leaving a balance of £313,144 which is transferred to retained reserves.

Principal activity and review of the business

The principal activity of the company during the year continued to be the distribution and repair of train components.

The financial sales figures for the company have been above our initial expectations (an increase of 57%) due to the resale of spare parts on behalf of group companies, Faiveley Transport and HFG, and the service activities which includes the repair and overhaul of Faiveley equipment which is out of warranty.

Whereas the increase of spare parts sales is directly related to our two major projects in the UK (Virgin Cross Country and Juniper), the repair activity is steadily increasing due to the number of contracts that the Faiveley Group has been awarded over the last 20 years in the UK. In addition some equipment is getting older and will need to be overhauled. We started with the Door projects (EMU323 and EMU465) two years ago and continued with the overhaul of the air conditioning modules fitted onto the Northern Line units.

The commissions received from France for warranty support are below our forecast due to delivery deferment requested by UK customers to group companies. The level of recharge to group companies is above last year's figures mainly due to design issues on the Juniper and Virgin Cross Country projects.

As a result of our increased spare parts and service activities our material purchasing costs have increased to the same extent. From a salary point of view we continue to transfer contractors into permanent staff, but this trend has reduced as we have reached a first step with regard to the required resource. The costs for contractors have 'skyrocketed' to a level above last year and above budget due to modification works conducted on behalf of group companies which were not planned. In addition we also overhauled the first set of air conditioning modules at the Northern Line depot which increased our contractor costs; this contract was not included in our sales budget. External charges are over budget and last year's figures due mainly to the combination of the implementation of the Health and Safety policy, the effect of permanent employees working with us for a full year and the take-over of a second workshop to cope with additional space requirements.

The year ended 31 March 2004 has been a very positive one in respect of operating profit. This figure was positively affected by the delivery of major spares orders (Juniper Interior Doors, Juniper door spares for the Alstom maintenance contract).

Our sales over the next financial year are expected to decrease as orders for spare parts orders are expected to reduce by 50%. Part of this revenue decrease will be compensated by the Northern Line overhaul project and by an increase in the repair activity.

This reduction in our sales of spare parts will clearly affect the profit for the year ending 31 March 2005 as the additional repair and overhaul activities consume more resources and have a lower margin.

FAIVELEY UK LIMITED
DIRECTORS' REPORT (continued)
YEAR ENDED 31 MARCH 2004

Review of business (continued)

To conclude the next year will be a challenging one with regard to:

- integrating the new accounting package with the other Faiveley UK Ltd IT databases (in order to reduce paperwork and increase staff efficiency),
- looking for new overhaul and maintenance contracts to ensure that Faiveley UK Ltd will remain profitable over the next 3 years
- reviewing the premises layout and leaving part of the original Faiveley UK premises as the space requirements are reduced following the take-over of a satellite workshop.

Directors

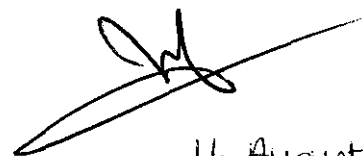
The directors who served during the year were:

F Faiveley
R Joyeux

The directors had no interest in the company's issued share capital at either the start of the year or at the balance sheet date. The director's interests in the parent company are disclosed in that company's accounts.

On behalf of the Board

R Joyeux
Director



16 August 2004

FAIVELEY UK LIMITED
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 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 which disclose with reasonable accuracy at any time the financial position of the company and 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.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FAIVELEY UK LIMITED**

We have audited the financial statements of Faiveley UK Limited for the year ended 31 March 2004 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. 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 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FAIVELEY 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 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, consisting of a large, stylized 'P' followed by 'KF'.

Birmingham, UK
1 September 2004

PKF
Registered Auditors

FAIVELEY UK LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 2004

	Notes	2004 £	2003 £
TURNOVER	2	5,011,509	3,190,827
Cost of sales		(2,568,215)	(1,580,526)
GROSS PROFIT		2,443,294	1,610,301
Distribution costs		(1,559,454)	(1,080,215)
Other operating income		-	6,812
OPERATING PROFIT	3	883,840	536,898
Interest receivable and similar income	5	45,501	1,669
Interest payable and similar charges	6	(12,035)	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		917,306	538,567
TAXATION	7	(291,017)	(165,025)
PROFIT FOR THE FINANCIAL YEAR	15 & 16	626,289	373,542
DIVIDENDS	8, 15 & 16	(313,145)	(186,771)
		313,144	186,771

All amounts relate to continuing operations.

There were no recognised gains or losses for the year other than those included in the profit and loss account.

FAIVELEY UK LIMITED
BALANCE SHEET
31 MARCH 2004

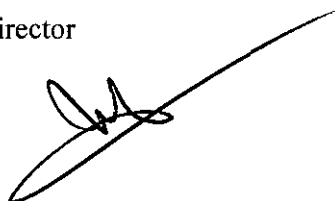
	Notes	2004 £	2003 £
FIXED ASSETS			
Tangible	9	204,351	182,874
CURRENT ASSETS			
Stocks	10	242,706	163,601
Debtors	11	1,216,475	1,315,186
Cash at bank and in hand		1,059,986	550,689
		<u>2,519,167</u>	<u>2,029,476</u>
CREDITORS: amounts falling due within one year	12	<u>(1,388,565)</u>	<u>(1,313,858)</u>
NET CURRENT ASSETS		<u>1,130,602</u>	<u>715,618</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,334,953</u>	<u>898,492</u>
PROVISIONS FOR LIABILITIES AND CHARGES	13	<u>(265,535)</u>	<u>(142,218)</u>
NET ASSETS		<u><u>1,069,418</u></u>	<u><u>756,274</u></u>
CAPITAL AND RESERVES			
Called up share capital	14	50,000	50,000
Profit and loss account	15	1,019,418	706,274
SHAREHOLDERS' FUNDS	16	<u><u>1,069,418</u></u>	<u><u>756,274</u></u>

The financial statements were approved by the board on 16 August 2004

Signed on behalf of the board of directors

R Joyeux

Director



FAIVELEY UK LIMITED
CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 2004

	2004 £	2003 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	883,840	536,898
Depreciation of tangible fixed assets	61,080	51,569
Profit on sale of fixed assets	(420)	(700)
Decrease/(increase) in debtors	134,543	(610,745)
Increase in stocks	(79,105)	(97,197)
Increase in creditors	28,071	765,482
Net cash inflow from operating activities	<u>1,028,009</u>	<u>645,307</u>
 CASH FLOW STATEMENT (note 17)		
Net cash inflow from operating activities	1,028,009	645,307
Returns on investments and servicing of finance	9,669	1,669
Taxation	(259,473)	(110,443)
Capital expenditure	(82,137)	(57,004)
Equity dividends paid	(186,771)	(62,600)
Increase in cash	<u>509,297</u>	<u>416,929</u>
 Reconciliation of net cash flow to movement in net funds (note 18)		
Increase in cash in the year	509,297	416,929
Net funds at 1 April 2003	550,689	133,760
Net funds at 31 March 2004	<u>1,059,986</u>	<u>550,689</u>

FAIVELEY UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2004

1 ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

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

(b) Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

(c) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leashold Improvements	over life of the lease
Plant and machinery	10 - 50 % straight line
Motor vehicles	33 % straight line
Furniture and fittings	10 % straight line
Office equipment	25 - 50% straight line

(d) Operating leases

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

(e) Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis. Net realisable value is based on estimated selling price allowing for all further costs of disposal.

(f) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

(g) Deferred taxation

Deferred tax is provided using the full provision method. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax balances are not discounted. Deferred tax assets are only recognised where they arise from timing differences where their recoverability in the short term is regarded as more likely than not.

(h) Pensions

The company operates a defined contribution pension scheme and the pension charge in the profit and loss account represents the amounts payable by the company to the fund in respect of the year.

FAIVELEY UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2004

2 TURNOVER

Turnover is attributable to one class of business.

Turnover is analysed by geographical market as follows:

	2004 £	2003 £
United Kingdom	4,304,235	2,608,965
European Union	707,274	581,862
Total	<u>5,011,509</u>	<u>3,190,827</u>

3 OPERATING PROFIT

The operating profit is stated after charging:

	2004 £	2003 £
Depreciation of tangible fixed assets:		
- owned by the company	61,080	51,569
Audit fees	4,300	4,100
Auditors' remuneration - non-audit services	13,645	13,585
Operating lease rentals:		
- plant & machinery	1,152	1,152
- other	43,560	35,603
Pension cost	45,904	33,984
Net foreign exchange differences	<u>30,642</u>	<u>13,713</u>

No directors received any emoluments (2003 - £NIL).

4 STAFF COSTS

Staff costs were as follows:

	2004 £	2003 £
Wages and salaries	663,781	455,562
Social security costs	64,218	45,324
Other pension costs	45,904	33,984
	<u>773,903</u>	<u>534,870</u>

The average monthly number of employees, including executive directors, during the year was:

	No	No
Administration	7	7
Engineering	15	9
	<u>22</u>	<u>16</u>

FAIVELEY UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2004

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	2004	2003
	£	£
Interest receivable from group companies	32,522	-
Other interest receivable	12,979	1,669
	<u>45,501</u>	<u>1,669</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£	£
Interest payable to group companies	12,035	-
	<u>12,035</u>	<u>-</u>

7 TAXATION

(a) Analysis of charge in year	2004	2003
	£	£
UK corporation tax		
Current tax on income for the year	291,069	165,025
Adjustments in respect of prior periods	(52)	-
Tax on profit on ordinary activities	<u>291,017</u>	<u>165,025</u>

The tax assessed for the year is greater than would be expected by multiplying profit on ordinary activities by the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2004	2003
	£	£
Profit on ordinary activities before tax	917,306	538,567
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2003: 30%)	275,192	161,570
Effects of:		
Expenses not deductible for tax purposes	1,144	1,463
Depreciation for the period in excess of capital allowances	1,622	1,314
Adjustment to tax charge in respect of previous periods	(52)	-
Short term timing differences	13,111	678
Current tax charge for the year	<u>291,017</u>	<u>165,025</u>

FAIVELEY UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2004

8 DIVIDENDS

	2004 £	2003 £
Ordinary shares		
Final proposed	313,145	186,771
	<u>313,145</u>	<u>186,771</u>
of which:		
Dividends on equity shares	313,145	186,771
	<u>313,145</u>	<u>186,771</u>

9 TANGIBLE FIXED ASSETS

	Leasehold Improvements £	Plant & machinery £	Total £
Cost			
At 1 April 2003	195,507	281,020	476,527
Additions	907	81,650	82,557
Disposals	-	(25,026)	(25,026)
At 31 March 2004	<u>196,414</u>	<u>337,644</u>	<u>534,058</u>
Depreciation			
At 1 April 2003	120,139	173,514	293,653
Charge for year	12,420	48,660	61,080
On disposals	-	(25,026)	(25,026)
At 31 March 2004	<u>132,559</u>	<u>197,148</u>	<u>329,707</u>
Net book amount			
At 31 March 2004	<u>63,855</u>	<u>140,496</u>	<u>204,351</u>
At 31 March 2003	<u>75,368</u>	<u>107,506</u>	<u>182,874</u>

10 STOCKS

	2004 £	2003 £
Goods for resale	242,706	163,601
	<u>242,706</u>	<u>163,601</u>

FAIVELEY UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2004

11 DEBTORS

	2004 £	2003 £
Due within one year		
Trade debtors	707,141	912,204
Amounts due from group undertakings	469,888	373,751
Other debtors	39,446	29,231
	<u>1,216,475</u>	<u>1,315,186</u>

12 CREDITORS

	2004 £	2003 £
Amounts falling due within one year		
Trade creditors	108,196	144,855
Amounts owed to group undertakings	531,891	660,129
Corporation tax	126,000	94,456
Other tax and social security	157,130	180,730
Other creditors	465,348	233,688
	<u>1,388,565</u>	<u>1,313,858</u>

Included in other creditors is £9,642 (2003 - £5,454) relating to outstanding contributions payable to the pension scheme.

13 PROVISIONS FOR LIABILITIES AND CHARGES

	Warranty provision £
At 1 April 2003	142,218
Increase in warranty provision	190,592
Release of warranty provision	(67,275)
At 31 March 2004	<u>265,535</u>

14 SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid No	£
At 1 April 2003 and 31 March 2004			
Ordinary shares of £1 each	50,000	50,000	50,000
	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

FAIVELEY UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2004

15 RESERVES

Profit and loss account	£
At 1 April 2003	706,274
Profit for the year	626,289
Dividends	(313,145)
At 31 March 2004	<u>1,019,418</u>

16 SHAREHOLDERS' FUNDS

	2004 £	2003 £
Shareholders' funds at 1 April 2003	756,274	569,503
Profit for the year	626,289	373,542
Dividends	(313,145)	(186,771)
Shareholders' funds at 31 March 2004	<u>1,069,418</u>	<u>756,274</u>

17 GROSS CASH FLOWS

	2004 £	2003 £
Returns on investments and servicing of finance		
Interest received	9,669	1,669
Capital expenditure		
Payments to acquire tangible fixed assets	(82,557)	(57,704)
Receipts from sales of tangible fixed assets	420	700
	<u>(82,137)</u>	<u>(57,004)</u>

18 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 2003 £	Cash flows £	At 31 March 2004 £
Cash at bank and in hand	<u>550,689</u>	<u>509,297</u>	<u>1,059,986</u>

FAIVELEY UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2004

19 OTHER COMMITMENTS

At 31 March 2004 the company had annual commitments under operating leases as follows:

	Land and buildings		Other	
	2004	2003	2004	2003
	£	£	£	£
Expiry date:				
Within one year	-	-	576	-
Between one and five years	-	-	-	1,152
After more than five years	73,665	39,915	-	-
	<u>73,665</u>	<u>39,915</u>	<u>-</u>	<u>-</u>

20 TRANSACTIONS WITH RELATED PARTIES

In preparing these financial statements, advantage has been taken of the exemption conferred by paragraph 3 (c) of FRS 8, "Related Party Disclosures" from the requirement to disclose transactions with other companies within the group.

21 PENSION COSTS

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund.

22 PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The company is controlled by Faiveley SA.

The parent undertaking of the largest and smallest group for which consolidated accounts are prepared is Faiveley SA, a company incorporated in France. Consolidated accounts are available from Faiveley SA, 143 Boulevard Anatole France, Carrefour Pleyel, 93285, Saint-Denis, Cedex, France.

In the opinion of the directors this is the company's ultimate parent company.

Faiveley SA is ultimately controlled by Francois Faiveley.