

COMPANY NO: 906936

# **DALKIA ENERGY & TECHNICAL SERVICES LIMITED**

## **REPORT AND FINANCIAL STATEMENTS**

*Year ended 31 December 2005*



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## Company Information

Directors

L P Correia  
M Holt  
J Winterbottom

Secretary

P Stevens

Registered office

Elizabeth House  
56 – 60 London Road  
Staines  
Middlesex  
TW18 4BQ

Registered number

906936

Auditors

KPMG LLP  
One Canada Square  
Canary Wharf  
London  
E14 5AG

Bankers

National Westminster Bank Plc  
130 Commercial Road  
Portsmouth  
Hampshire  
PO1 1ES

Solicitors

Bristows Cooke & Carpmael  
10 Lincoln's Inn Fields  
London  
WC2A 3BP

## Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 December 2005.

### Principal activities

The principal activity of the company is to provide financial, organisational and environmental benefits for owners, managers and occupiers of commercial and public buildings.

The company delivers these benefits through an integrated service management approach uniquely combining energy management, mechanical and electrical services and a range of related services including fire protection, environment management and energy bureau.

### Business review and future developments

The profit for the year after taxation was £2,434,000 (2004: £3,811,000). No final dividend is proposed for 2005 (2004: nil). An interim dividend for 2005 was paid of £3,000,000 (2004: £2,775,000).

The company has elected to adopt International Financial Reporting Standards (IFRSs). This is the first time that IFRS has been adopted, and IFRS 1 has been applied. An explanation of how the transition to IFRSs has affected the reported financial position and financial performance of the company is provided in note 26.

The directors expect the Company to continue trading profitably in the future.

### Directors and their interests

The present membership of the board is set out on page 1. Mr L Bermejo resigned as a director on 1 January 2005. Mr L P Correia was appointed as a director on 1 January 2005. D Gill, M Holt, D Brooks-Wilson, I Howarth, K Turner, T Morton and R Wood resigned as directors on 23 August 2005. J Roberts resigned as a director on 22 February 2006. M Holt was re-appointed as a director on 22 February 2006. All other Directors served throughout the period.

None of the directors have any notifiable interests in the shares of the company or any other group undertaking.

### Environment

The company has an active commitment to manage the environmental aspects of its business in accordance with current best practice in the industry.

### Health and safety

The company regards the promotion of health and safety to be of paramount importance. All relevant measures are taken to ensure as far as practicable the health, safety and welfare of all employees. These measures are also aimed at protecting others who may be affected by our work.

### Disabled personnel

Full and fair consideration is given to the skills and aptitudes of disabled people in recruitment and career development. In pursuit of this policy all practicable measures are taken to place disabled people in jobs suited to their individual circumstances and to enable them to share equally with other employees in the opportunities available for training and promotion in the company.

### Employee involvement and equal opportunities

Employee involvement and consultation is developed through regular formal meetings and informal channels. The company is an equal opportunity employer, and makes no discrimination on the grounds of race, sex or religion in recruitment or career development.

### Credit payment policy

For payment to trade creditors, the company's policy is to:

- (a) settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- (b) ensure that those suppliers are made aware of the terms of the payment by inclusion of the relevant terms in contracts; and
- (c) pay in accordance with its contractual and other legal obligations.

Creditor days at 31 December 2005 were 32 days (2004: 24 days).

## Report of the Directors

(Continued)

### Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU.

The financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

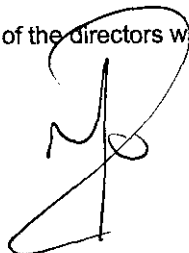
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

KPMG LLP were appointed as auditors of the company on 23 August 2005 following the resignation of RSM Robson Rhodes LLP. KPMG LLP are willing to continue in office and a resolution to reappoint them as auditors to the company will be proposed at the forthcoming Annual General Meeting.

The report of the directors was approved by the Board on 19 July 2006 and signed on its behalf by:

M Holt  
Director



## Independent Auditors' Report to the Shareholders of Dalkia Energy & Technical Services Limited

We have audited the financial statements of Dalkia Energy & Technical Services Limited for the year ended 31 December 2005 which comprise the Income Statement, 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 financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 and Article 4 of the IAS Regulation. 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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.

### Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

KPMG LLP

KPMG LLP  
Chartered Accountants  
Registered Auditor  
• 2006

19 July 2006

# Income Statement

for the year ended 31 December 2005

	Note	2005 £ '000	2004 £ '000
<b>Revenue</b>		145,884	143,489
Cost of sales		<u>(121,174)</u>	<u>(117,016)</u>
<b>Gross profit</b>		24,710	26,473
Administrative expenses		<u>(20,976)</u>	<u>(21,150)</u>
<b>Operating profit before financing costs</b>		3,734	5,323
Financial income	6	29	33
Financial expenses	6	<u>(88)</u>	<u>-</u>
<b>Net financing costs</b>	6	<u>(59)</u>	<u>33</u>
<b>Profit before tax</b>		3,675	5,356
Income tax expense	7	<u>(1,241)</u>	<u>(1,545)</u>
<b>Profit for the year</b>	18	<u>2,434</u>	<u>3,811</u>

All the company's operations are continuing.

There were no recognised income and expenses other than those disclosed above.

# Balance Sheet

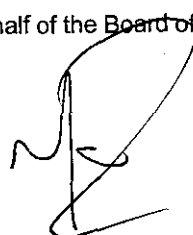
at 31 December 2005

	Note	2005 £ '000	2004 £ '000
<b>Assets</b>			
Intangible assets	8	-	610
Property, plant & equipment	9	2,587	3,313
Investments	10	3,177	3,177
Trade and other receivables	12	90	240
<b>Total non current assets</b>		<u>5,854</u>	<u>7,340</u>
<b>Current assets</b>			
Inventories	11	4,901	3,501
Trade and other receivables	12	36,197	32,568
Deferred tax asset	13	70	15
Cash and cash equivalents	14	-	56
<b>Total current assets</b>		<u>41,168</u>	<u>36,140</u>
<b>Total assets</b>		<u>47,022</u>	<u>43,480</u>
<b>Equity</b>			
Called up equity share capital	17	6,700	6,700
Retained earnings	18	5,194	5,760
<b>Total equity</b>	18	<u>11,894</u>	<u>12,460</u>
<b>Liabilities</b>			
Provisions	16	258	369
<b>Total non current liabilities</b>		<u>258</u>	<u>369</u>
<b>Current liabilities</b>			
Bank overdraft	14	308	1,141
Trade and other payables	15	33,827	28,674
Income tax payable		735	836
<b>Total current liabilities</b>		<u>34,870</u>	<u>30,651</u>
<b>Total liabilities</b>		<u>35,128</u>	<u>31,020</u>
<b>Total equity and liabilities</b>		<u>47,022</u>	<u>43,480</u>

These financial statements were approved by the Board of Directors on 19 July 2006.

Signed on behalf of the Board of Directors:

M Holt  
Director





# Cash Flow Statement

## For the Year Ended 31 December 2005

	Note	2005 £'000	2004 £'000
<b>Cash flows from operating activities:</b>			
Profit for the period		2,434	3,811
<i>Adjustments for:</i>			
Depreciation	9	1,269	1,075
Impairment of goodwill	8	610	-
Gain on disposal of property, plant and equipment		(1,564)	(656)
Net interest expense		59	(33)
Income tax expense		1,241	1,545
<b>Operating profit before changes in working capital and provisions</b>		4,049	5,742
Increase in debtors	12	(3,479)	(1,666)
Increase in stock and work in progress	11	(1,400)	(2,135)
Decrease in creditors and provisions	15, 16	5,042	1,475
<b>Cash generated from operations</b>		4,212	3,416
Net interest (paid)/received	6	(59)	33
Taxation paid		(1,397)	(2,139)
<b>Net cash from operating activities</b>		2,756	1,310
<b>Cash flow from investing activities:</b>			
Acquisition of fixed assets	9	(679)	(1,290)
Proceeds from disposal of fixed assets		1,700	656
Acquisition of investment	8	-	(19)
<b>Net cash from investing activities</b>		1,021	(653)
<b>Cash flow from financing activities:</b>			
Dividends paid	18	(3,000)	(2,775)
<b>Net cash from financing activities</b>		(3,000)	(2,775)
Net increase in cash and cash equivalents		777	(2,118)
Cash and cash equivalents at 1 January		(1,085)	1,033
<b>Cash and cash equivalents at 31 December</b>	14	(308)	(1,085)

## Notes to the Financial Statements

### 31 December 2005

#### 1. ACCOUNTING POLICIES

Dalkia Energy & Technical Services Limited ("the Company") is a company incorporated in the United Kingdom.

##### Statement of compliance

The company has prepared its financial statements in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB).

This is the first time that IFRS has been adopted and IFRS 1 has been applied. An explanation of how the transition to adopted IFRSs has affected the reported financial performance, and financial position of the company is provided in note 26.

##### Basis of accounting

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

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions in accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of revision and future periods if the revision affects both current and future periods.

Judgements made by the management in the applications of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the notes to the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening IFRS balance sheet at 1 January 2004 for the purpose of transition to IFRSs.

##### Group accounts

The Company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

##### Revenue

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax.

##### Property, plant and equipment

Items of property, plant and equipment are stated at cost as deemed cost less accumulated depreciation and impairment losses. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold buildings	2% per annum
Plant at clients' premises	Duration of the contract
Leasehold improvements	10% - 33% per annum
Plant and equipment	10% - 33% per annum
Computer and office equipment	20% - 33% per annum

Where there is evidence of impairment to carrying values, fixed assets are written down to their recoverable amount. Any such write down would be charged to operating profit.

## Notes to the Financial Statements (continued)

### 31 December 2005

#### 1. ACCOUNTING POLICIES (continued)

##### Investments

Investments are included at cost less any provision for impairment.

##### Inventories

Inventories are stated at the lower of cost and net realisable value.

##### Intangible fixed assets

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. In respect of business acquisitions that have occurred since 1 January 2003, Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP. The classification and accounting treatment of business combinations that occurred prior to 1 January 2003 has not been reconsidered in preparing the company's opening IFRS balance sheet at 1 January 2004 (see note 25).

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment.

Negative goodwill arising on an acquisition is recognised directly in the profit and loss account.

##### Segment reporting

A segment is a distinguishable component of the company that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of the other segments.

##### Assets held under operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis.

##### Finance leases - lessor

Amounts due under finance leases are recorded in the balance sheet as debtors at the amount of the net investment in the leases. Finance charges are allocated to give a constant periodic rate of return on the net cash investment in the leases.

##### Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

## Notes to the Financial Statements (continued)

### 31 December 2005

#### 1. ACCOUNTING POLICIES (continued)

##### **Employee benefits**

##### *Defined contribution plan*

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

##### **Trade and other receivables**

Trade and other receivables are stated at their nominal value (discounted if material) less impairment losses.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

##### **Plant replacement fund**

Receipts from customers relating to contracts where the company is responsible for the repair or replacement of specified plant are classified as payments on account to the extent that they are not matched with work performed. Expenditure, when incurred, is charged to cost of sales and an appropriate level of income is recognised at this point, with the corresponding amount recoverable on the contract offsetting the payment on account. Provision is made for all foreseeable losses under these contracts.

##### **Impairment**

The carrying amounts of the Group's assets other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill and indefinite life intangible assets were tested for impairment as at 1 January 2004, the date of transition to adopted IFRSs, even though no indication of impairment existed.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

##### *Calculation of recoverable amount*

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## Notes to the Financial Statements (continued)

31 December 2005

### 1. ACCOUNTING POLICIES (continued)

#### Impairment (continued)

##### *Reversals of impairment*

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Notes to the Financial Statements (continued)

### 31 December 2005

## 2. SEGMENTAL ANALYSIS

Segment information is presented in respect of the company's business segments and is based on the company's management and internal reporting structure. All segments operate entirely within the UK

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as this that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest bearing loans and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

£000	Energy management services		Outsourced managed services		Multi-technical services		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Revenue from external customers	24,593	20,472	51,897	48,552	69,394	74,465	145,884	143,489
Inter-segment revenue	-	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>24,593</b>	<b>20,472</b>	<b>51,897</b>	<b>48,552</b>	<b>69,394</b>	<b>74,465</b>	<b>145,884</b>	<b>143,489</b>
Segment result	2,976	3,105	6,085	5,721	5,385	7,588	14,446	16,078
Unallocated expenses							(10,712)	(10,755)
Operating profit before financing costs							3,734	5,323
Net financing costs							(59)	33
Income tax expense							(1,241)	(1,545)
<b>Profit for the year</b>							<b>2,434</b>	<b>3,811</b>

**Notes to the Financial Statements (continued)**  
**31 December 2005**

**2. SEGMENTAL ANALYSIS (continued)**

£000	Energy management services		Outsourced managed services		Multi-technical services		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Segment assets	1,147	1,034	4,617	2,357	5,959	5,080	11,723	8,471
Unallocated assets							35,299	35,009
<b>Total assets</b>							<u>47,022</u>	<u>43,480</u>
Segment liabilities	4,087	3,124	5,185	3,537	9,863	7,210	19,135	13,871
Unallocated liabilities							15,993	17,149
<b>Total liabilities</b>							<u>35,128</u>	<u>31,020</u>

# Notes to the Financial Statements (continued)

## 31 December 2005

### 3. EMPLOYMENT COSTS

	2005 £ '000	2004 £ '000
Wages and salaries	39,560	39,849
Compulsory social security contributions	3,488	3,545
Contributions to group defined benefit plan	908	1,030
Other pension costs	498	252
	<u>44,454</u>	<u>44,676</u>
<b>Average Staff numbers</b>	<b>2005 No.</b>	<b>2004 No.</b>
Management	15	16
Sales	34	29
Administration	206	202
Operations	<u>1,237</u>	<u>1,228</u>
	<u>1,492</u>	<u>1,475</u>

### 4. DIRECTORS' REMUNERATION

	2005 £ '000	2004 £ '000
Emoluments (excluding pension contributions)	<u>672</u>	<u>460</u>
	<b>No.</b>	<b>No.</b>
Number of directors who are members of a defined benefit scheme	<u>1</u>	<u>4</u>
<b>Highest paid director's remuneration:</b>	<b>2005 £ '000</b>	<b>2004 £ '000</b>
Emoluments (excluding pension contributions)	<u>179</u>	<u>111</u>

The amount of accrued pension of the highest paid director at 31 December 2005 was £7,972 (2004: £6,436).

### 5. ADMINISTRATIVE EXPENSES

Administrative expenses includes £610,000 (2004: nil) in respect of the impairment of goodwill.

Audit fees are met by another group company.

### 6. NET FINANCING COSTS

	2005 £ '000	2004 £ '000
Bank interest	<u>29</u>	<u>33</u>
Financial income	29	33
Interest payable	<u>(88)</u>	<u>-</u>
Net financing (expense)/income	<u>(59)</u>	<u>33</u>



# Notes to the Financial Statements (continued)

## 31 December 2005

### 7. INCOME TAX EXPENSE

		2005 £ '000	2004 £ '000
<b>Current Tax</b>			
UK Corporation Tax at 30% (2004: 30%)		1,296	1,735
Adjustments for prior years		-	(48)
<b>Total current tax</b>		1,296	1,687
<b>Deferred Tax</b>			
origination and reversal of timing differences		(55)	(142)
<b>Taxation charge for the year</b>		1,241	1,545
<b>Reconciliation of effective tax rate</b>	<b>2005 %</b>	<b>2005 £'000</b>	<b>2004 %</b>
			<b>2004 £'000</b>
Profit before tax		3,675	5,356
Income using the domestic corporation tax rate	30.0%	1,103	30.0%
Non-deductible expenses	8.6%	316	0.9%
Capital allowances in excess of depreciation	0.1%	6	(1.2%)
Profit on sale of fixed assets covered by capital losses brought forward	(5.0)%	(184)	0.0%
Adjustments for prior years	0.0%	-	(0.9)%
	33.7%	1,241	28.8%
			1,545

### 8 INTANGIBLE FIXED ASSETS

	Purchased Goodwill £ '000
<b>Cost</b>	
At 1 January and 31 December 2004	610
At 1 January and 31 December 2005	610
<b>Amortisation and impairment losses</b>	
At 1 January 2005	-
Impairment for the year	(610)
At 31 December 2005	(610)
<b>Carrying values</b>	
At 1 January and 31 December 2004	610
At 1 January 2005	610
At 31 December 2005	-

The goodwill relates to the acquisition of DTS and has been written off as it is no longer deemed recoverable.

# Notes to the Financial Statements (continued)

## 31 December 2005

### 9. PROPERTY, PLANT AND EQUIPMENT

	Freehold property £ '000	Plant £ '000	Office equipment, fixtures and fittings £ '000	Plant at clients' premises £ '000	Leasehold improvements £ '000	Total £ '000
<b>Cost or valuation</b>						
At 1 January 2004	381	236	2,154	3,806	430	7,007
Additions	-	48	765	413	64	1,290
Disposals	-	(30)	(108)	(55)	-	(193)
At 31 December 2004	381	254	2,811	4,164	494	8,104
At 1 January 2005	381	254	2,811	4,164	494	8,104
Additions	-	23	435	130	91	679
Disposals	(381)	(111)	(773)	(1,083)	(340)	(2,688)
At 31 December 2005	-	166	2,473	3,211	245	6,095
<b>Depreciation and impairment losses</b>						
At 1 January 2005	240	162	955	2,415	137	3,909
Charge in year	3	54	552	378	88	1,075
Disposals	-	(30)	(108)	(55)	-	(193)
At 31 December 2005	243	186	1,399	2,738	225	4,791
At 1 January 2005	243	186	1,399	2,738	225	4,791
Charge in year	2	28	680	321	238	1,269
Disposals	(245)	(111)	(773)	(1,083)	(340)	(2,552)
At 31 December 2005	-	103	1,306	1,976	123	3,508
<b>Carrying values</b>						
At 1 January 2004	141	74	1,199	1,391	293	3,098
At 31 December 2004	138	68	1,412	1,426	269	3,313
At 1 January 2005	138	68	1,412	1,426	269	3,313
At 31 December 2005	-	63	1,167	1,235	122	2,587

# Notes to the Financial Statements (continued)

## 31 December 2005

### 10. FIXED ASSET INVESTMENTS

	2005 £ '000	2004 £ '000
<b>Cost and net book value</b>		
At 1 January	3,177	3,158
Additions	-	19
At 31 December	<u>3,177</u>	<u>3,177</u>

The principal subsidiary undertakings at 31 December 2005 were:

Company	Country of incorporation and registration	Activity	Proportion of ordinary shares held
Dalkia Technical Services Limited	England	Dormant	100%
Goldfield Limited	England	Security systems	100%

### 11. INVENTORIES

	2005 £ '000	2004 £ '000
Raw materials and consumables	187	228
Contract work in progress	<u>4,714</u>	<u>3,273</u>
	<u>4,901</u>	<u>3,501</u>

### 12. TRADE AND OTHER RECEIVABLES

	2005 £ '000	2004 £ '000
<b>Current</b>		
Trade debtors	24,576	22,634
Amounts recoverable on contracts	606	892
Amounts owed by group companies	2,009	1,368
Finance lease debtors	150	122
Other debtors	1,677	972
Prepayments and accrued income	<u>7,179</u>	<u>6,580</u>
	<u>36,197</u>	<u>32,568</u>
<b>Non-current</b>		
Finance lease debtors	81	212
Other debtors	<u>9</u>	<u>28</u>
	<u>90</u>	<u>240</u>

The aggregate rental income receivable during the year on finance leases was £24,354 (2004 £33,031). The original cost of assets existing for the purposes of letting under finance leases was £997,000 (2004: £997,000).

# Notes to the Financial Statements (continued)

## 31 December 2005

### 13. DEFERRED TAX ASSETS

The deferred taxation asset is attributable to the following:

	2005 £	2004 £
Property, plant and equipment	<u>70</u>	<u>15</u>

The movement of £55,000 has been recognised in income.

### 14. CASH AND CASH EQUIVALENTS

	2005 £	2004 £
Bank balances	-	56
Bank overdraft	<u>(308)</u>	<u>(1,141)</u>
Cash and cash equivalents in the statement of cash flows	<u>(308)</u>	<u>(1,085)</u>

### 15. TRADE AND OTHER PAYABLES

	2005 £ '000	2004 £ '000
Trade creditors	8,553	6,394
Amounts due to group companies	4,986	5,014
Payments on account	1,607	1,801
Other taxation and social security costs	4,394	4,222
Other creditors	203	177
Accruals and other deferred income	<u>14,084</u>	<u>11,066</u>
	<u>33,827</u>	<u>28,674</u>

### 16. PROVISIONS FOR LIABILITIES AND CHARGES

	Losses on contracts £ '000	Other £ '000	Total £ '000
At 1 January 2005	308	61	369
Released to the income statement	<u>(97)</u>	<u>(14)</u>	<u>(111)</u>
At 31 December 2005	<u>211</u>	<u>47</u>	<u>258</u>

## Notes to the Financial Statements (continued)

### 31 December 2005

#### 17. CALLED UP SHARE CAPITAL

	2005 £ '000	2004 £ '000
<b>Authorised</b>		
5,000,000 'A' ordinary shares at £1 each	5,000	5,000
5,000,000 'B' ordinary shares at £1 each	5,000	5,000
	<u>10,000</u>	<u>10,000</u>
<b>Allotted and fully paid</b>		
3,350,000 'A' ordinary shares at £1 each	3,350	3,350
3,350,000 'B' ordinary shares at £1 each	3,350	3,350
	<u>6,700</u>	<u>6,700</u>

There is no difference in the rights of 'A' and 'B' ordinary shares.

#### 18. RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES

	Share Capital £ '000	Retained earnings £ '000	Total £ '000
At 1 January 2004	6,700	4,724	11,424
Profit for the year	-	3,811	3,811
Dividends	-	(2,775)	(2,775)
	<u>6,700</u>	<u>5,760</u>	<u>12,460</u>
At 31 December 2005			
At 1 January 2005	6,700	5,760	12,460
Profit for the year	-	2,434	2,434
Dividends	-	(3,000)	(3,000)
	<u>6,700</u>	<u>5,194</u>	<u>11,894</u>
At 31 December 2005			

#### 19. OPERATING LEASES

Non-cancellable operating leases are payable as follows:

	2005 £000	2004 £000
Less than one year	1,644	3,230
Between two to five years	2,519	7,820
More than five years	-	1,426
	<u>4,163</u>	<u>12,476</u>

During the year ended 31 December 2005, £4.032,000 was recognised as an expense in the income statement in respect of operating leases (2004: £3,585,000).

#### 20. CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2005 or 31 December 2004.

## Notes to the Financial Statements (continued)

### 31 December 2005

#### 21. EMPLOYEE BENEFITS

##### *Defined benefit scheme*

The company is a participating employer in the Dalkia Group Pension Scheme, a defined benefit scheme. There is insufficient information available to enable the company to disclose its share of the defined benefit obligations. The company has therefore accounted for the scheme as if it were a defined contribution plan. The scheme is separately funded and provides defined benefits that are computed based on an employee's years of service and final pensionable salary. The cost of retirement benefits for the company was £908,000 (2004: £1,030,000). Contributions are made to the scheme on the basis of advice from independent actuaries, using actuarial methods, the objective of which is to provide adequate funds to meet pension obligations as they fall due, and are based on pension costs in respect of all members of the fund.

The most recent actuarial valuation of the defined benefit pension scheme was at 31 March 2002, which was updated to 31 December 2005. At the date of the update the scheme was in deficit by £41,664,000. Particulars of the actuarial review are included within the annual report of Dalkia plc.

The scheme has been closed to all employees joining the group after 1 January 2002.

##### *Defined contribution scheme*

Contributions paid to the Group's defined contribution scheme amounted to £498,000 (2004: £252,000).

#### 22. RELATED PARTY DISCLOSURES

The group has a related party relationship with its subsidiaries (see note 11) and fellow subsidiaries of Dalkia plc.

	Sales of services to	Purchases of services from	Outstanding balance 31 December
	2005 £'000	2005 £'000	2005 £'000
Dalkia Plc	-	3,658	291
Dalkia Utilities Services Plc	876	198	174
Parkersell Limited	-	3,528	(1,023)
Goldfield Limited	-	498	1,089
	<u>876</u>	<u>7,882</u>	<u>531</u>

#### 23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

The parent undertaking is Dalkia Plc, a company incorporated in Great Britain and registered in England and Wales. The largest ultimate controlling entity of Dalkia Plc is Veolia Environnement SA and the smallest is Dalkia International SA. Dalkia International is a joint venture between Veolia Environnement SA and Electricité de France. Veolia Environnement SA, Dalkia International SA and Electricité de France are incorporated in France.

## Notes to the Financial Statements (continued)

### 31 December 2005

#### 23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY (continued)

Copies of the accounts can be obtained from:

Dalkia Plc  
Elizabeth House  
56-60 London Road  
Staines  
TW18 4BQ

Dalkia International SA  
Quartier Valmy  
33, place Ronde  
92981 Paris La Défense  
France

Veolia Environnement SA  
36-38 avenue Kléber  
75116 Paris  
France

Electricité de France  
22-30 avenue de Wagram  
75382 Paris Cedex 08  
France

#### 24. ACCOUNTING ESTIMATES AND JUDGEMENTS

Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

##### Key sources of estimation uncertainty

- The assessment and valuation of Replacement Guarantee Scheme commitments based upon works actually completed and condition of assets under management.

#### 25. ADOPTED IFRS NOT YET APPLIED

The following adopted IFRSs were available for early application but have not been applied by the group in these financial statements:

- IFRS7 *Financial instruments disclosure* applicable for years commencing on or after 1 January 2007;
- Amendments to IAS 39 *financial guarantee contracts* applicable for years commencing on or after 1 January 2006

The application of IFRS7 in the year ended 31 December 2005 would not have affected the balance sheets or income statement as the standard is concerned only with disclosure. The group plans to adopt the standard in 2006.

#### 26. EXPLANATION OF TRANSITION TO IFRSs

As stated in note 1, these are the company's first financial statements prepared in accordance with IFRSs.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004 and in the preparation of an opening IFRS balance sheet at 1 January 2004 (the company's date of transition).

In preparing its opening IFRS balance sheet, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

An explanation of how the transition from previous GAAP to IFRSs has affected the company's financial position and financial performance is set out in the following tables.

# Notes to the Financial Statements (continued)

## 31 December 2005

### 26. EXPLANATION OF TRANSITION TO IFRSs (continued)

	Note	Previous GAAP £'000	Effect of Transition to IFRSs 1 January 2004 £'000	IFRSs £'000	Previous GAAP 31 December 2004 £'000	Effect of Transition to IFRSs 31 December 2004 £'000	IFRSs £'000
<b>Assets</b>							
Intangible assets	8	610	-	610	476	134	610
Property, plant and equipment	9	3,098	-	3,098	3,313	-	3,313
Investments	10	3,158	-	3,158	3,177	-	3,177
Trade and other receivables	12	367	-	367	240	-	240
<b>Total non-current assets</b>		<b>7,233</b>	<b>-</b>	<b>7,233</b>	<b>7,206</b>	<b>134</b>	<b>7,340</b>
<b>Current assets</b>							
Inventories	11	1,366	-	1,366	3,501	-	3,501
Trade and other receivables	12	30,775	-	30,775	32,568	-	32,568
Deferred tax asset	13	-	-	-	15	-	15
Cash and cash equivalents	14	1,033	-	1,033	56	-	56
<b>Total non-current assets</b>		<b>33,174</b>	<b>-</b>	<b>33,174</b>	<b>36,140</b>	<b>-</b>	<b>36,140</b>
<b>Total assets</b>		<b>40,407</b>	<b>-</b>	<b>40,407</b>	<b>43,346</b>	<b>134</b>	<b>43,480</b>



# Notes to the Financial Statements (continued)

## 31 December 2005

### 26. EXPLANATION OF TRANSITION TO IFRSs (continued)

	Note	Previous GAAP £'000	Effect of Transition to IFRSs 1 January 2004 £'000	IFRSs £'000	Previous GAAP £'000	Effect of Transition to IFRSs 31 December 2004 £'000	IFRSs £'000
<b>Equity</b>							
Called up share capital	17	6,700	-	6,700	6,700	-	6,700
Retained earnings	18	4,724	-	4,724	5,626	134	5,760
<b>Total equity</b>	18	11,424	-	11,424	12,326	134	12,460
<b>Liabilities</b>							
Provisions	16	506	-	506	369	-	369
<b>Total non-current liabilities</b>		506	-	506	369	-	369
<b>Current liabilities</b>							
Bank overdraft	14	-	-	-	1,136	-	1,136
Trade and other payables	15	27,062	-	27,062	28,674	-	28,674
Deferred tax liability	13	127	-	127	-	-	-
Income tax payable	7	1,288	-	1,288	836	-	836
<b>Total current liabilities</b>		28,477	-	28,477	30,651	-	30,651
<b>Total liabilities</b>		28,983	-	28,983	31,020	-	31,020
<b>Total equity and liabilities</b>		40,407	-	40,407	43,346	134	43,480

## Notes to the Financial Statements (continued)

### 31 December 2005

#### 26. EXPLANATION OF TRANSITION TO IFRSs (continued)

From 1 January 2004, the date of transition, goodwill is no longer amortised under IFRSs but is tested annually for impairment. As a result of this change, the carrying value of goodwill is increased by £134,000 at 31 December 2004 due to the goodwill amortisation charge for the year ended 31 December 2004 being written back.

#### Reconciliation of the profit for the year ended 31 December 2004

	Note	Previous GAAP £'000	Effect of transition to IFRSs £'000	IFRSs £'000
Revenue		143,489	-	143,489
Cost of sales		(117,016)	-	(117,016)
<b>Gross profit</b>		26,473	-	26,473
Administrative expenses		(21,284)	134	(21,150)
<b>Operating profit before financing costs</b>		5,189	134	5,323
Financial income	6	33	-	33
Financial expenses	6	-	-	-
<b>Net financing costs</b>	6	33	-	33
<b>Profit before taxation</b>		5,222	134	5,356
Income tax expense	7	(1,545)	-	(1,545)
<b>Profit for the year</b>	18	3,677	134	3,811