COMPANY NO. 906936

DALKIA ENERGY & TECHNICAL SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2006

Contents

Company Information

Directors	L P Correia M Holt J Winterbottom
Secretary	P B 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	Barclays Bank Plc 1 Churchill Place Canary Wharf London E14 5HP National Westminster Bank Plc 130 Commercial Road Portsmouth Hampshire PO1 1ES

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 December 2006

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
How has Dalkia Energy and Technical Services Ltd performed against its objectives and strategies during the year?
In 2006, we recorded significant new business wins These included a number of landmark FM deals such as Vodafone and Abbey, confirming our established position as a major player in the FM arena

Energy and environment lies at the very heart of our growth strategy because we believe our strength and expertise in this area sets us apart from all our competitors Sustainability has become the number one priority not only for our customers, but also individuals and Governments across the globe – and Dalkia has a role to play in securing a sustainable future

Our successful growth has been achieved during a period of significant change within Dalkia in the UK, as we brought about realignment of our business sector operations under a single Dalkia structure and culture These organisational changes have contributed to the growth surge, because we are removing inefficiencies, leveraging operational synergies across our target sectors and targeting our sales and marketing activity to better effect under the new structure

The headline results in this subsidiary underpin the progress which is being made

- Turnover (continuing operations) grew by nearly 30% to £189 5 million
- Profit before tax (continuing operations) grew by over 80% to £6 7 million

Corporate responsibility – how does this underpin our business activities ?
Our approach to Corporate Responsibility (CR) looks to integrate sustainable business practices into all areas of our organisation whilst actively managing the impacts of our activities on the environment and local communities in which we operate This is the core of the CR philosophy and clearly states to customers, employees and other stakeholders that a company should not only hold a strong moral and ethical stance, but be prepared to put these values into practice through real action

To provide leadership for this, in 2006 Dalkia formed a CR Committee tasked to align our CR approach with our mission, vision and values and to set and ensure we meet our CR performance objectives on an ongoing basis The CR Committee is made up of members from across Dalkia's UK organisation and represents all areas of the company

The CR Committee worked hard to identify those areas which best represent the impact our business has on the environment, the community and our stakeholders and to identify appropriate metrics with which to gauge our performance This resulted in a robust set of key performance indicators and the development of accurate reporting systems to capture, monitor and measure our progress in each of the following areas

- our environmental performance
- the impact our energy services make
- our customers
- the community
- our employees (including diversity & inclusion, training and workplace)
- procurement

Report of the Directors (continued)

CR objectives, and where appropriate, quantitative improvement targets will be established for each area in early 2007 However, responsibility for devising and implementing initiatives to achieve these objectives lies with each of our business units and all of our employees An internal communications programme is underway to ensure all employees are made aware of Dalkia's commitment to CR and how each of them can contribute to our success

CR is an ongoing process and the CR Committee will regularly review progress and if necessary set new targets to match the changing business landscape in which Dalkia operates

Dalkia will be reporting on our CR activities and achievements in 2007

What is the outlook for the business?
In 2006 we began focusing on how we could better deliver on our core values of service excellence and innovation, as well as ways of bringing our teams closer to the needs of our clients to create the levels of customer intimacy that will convince customers to choose and recommend Dalkia

In the UK the 1-Dalkia culture has now truly embedded itself across our 3,500 staff who have embraced the new company Mission, Vision and Values and are working as a unified team to translate them into living reality to achieve our ambitious growth plans

There is a real sense of collective purpose behind our intentions to grow Dalkia's UK business so that we become a major player in the Technical Facilities and Energy Management arena Both outsourced FM and Energy Management represent growth areas where Dalkia is well placed to achieve significant market shares

Energy will be the cornerstone to our growth strategy and during 2007 we will finalise arrangements for the launch of our Dalkia "CarbonCare" offering to the marketplace

What significant risks and uncertainties does the Group face?
In common with all businesses, Dalkia is affected by a number of factors, not all of which are wholly within our control Although many of the risk factors influencing our performance are macroeconomic and likely to affect the performance of businesses generally, others are particular to our operations

The following highlights some of the particular risks but is not intended to be an extensive analysis of all risks affecting the business Some risks may be unknown to us and other risks, currently regarded as immaterial, could turn out to be material All of them have the potential to impact our business, revenue, profits, assets, liquidity, and capital resources adversely

Contractual risk
Our business is predominantly contract based, hence business may be adversely affected by failure to perform on major contracts We have a structured and formal Project Authorisation and Review procedure (PAR) which aims to ensure that all legal, operational and commercial risks are properly considered before exchange of contracts with our clients

There is a separate and independent risk management function, which reports directly into the Chief Executive Officer

Energy cost volatility
The fuel energy market saw dramatic moves during 2006 Following a phase of almost continuous increase in gas and electricity prices through 2005 into the first half of 2006, the market witnessed a complete downturn in the 2nd half We continue to work closely with our clients to mitigate these variations through the deployment of innovative solutions, both technically and contractually

In conclusion, the profit for the year after taxation was £4,675,000 (2005 £2,434,000)

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

Report of the Directors (continued)

Dividends
A final dividend is proposed for 2006 of £4,700,000 (2005 £nil) No interim dividend for 2006 was paid (2005 £3,000,000)

Directors and their interests
The present membership of the board is set out on page 1 J H Roberts resigned as a director on 22 February 2006 M Holt was 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 2006 were 28 days (2005 32 days)

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

Report of the Directors (continued)

Statement of directors' responsibilities (continued)
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

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors
KPMG LLP is willing to continue in office and a resolution to reappoint it as auditor to the company will be proposed at the forthcoming Annual General Meeting

The report of the directors was approved by the Board on 15 June 2007 and signed on its behalf by

M Holt
Director

Report of the independent auditors to the members of Dalkia Energy & Technical Services Limited

We have audited the financial statements of Dalkia Energy & Technical Services Limited for the year ended 31 December 2006 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement and the Statement of Recognised Income and Expense 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 4

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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

Date 15 June 2007

Income Statement
for the year ended 31 December 2006

	Note	2006 £000	2005 £000
Revenue		189,509	145,884
Cost of sales		(160,240)	(121,174)
Gross profit		29,269	24,710
Administrative expenses		(22,528)	(20,976)
Operating profit before financing costs		6,741	3,734
Financial income	6	-	29
Financial expenses	6	-	(88)
Net financing costs	6	-	(59)
Profit before tax		6,741	3,675
Income tax expense	7	(2,066)	(1,241)
Profit for the year	18	4,675	2,434

All the company's operations are continuing

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

Balance Sheet
at 31 December 2006

	Note	2006 £000	2005 £000
Assets			
Intangible assets	8	-	-
Property, plant & equipment	9	1,835	2,587
Investments	10	3,050	3,177
Trade and other receivables	12	-	90
Total non current assets		4,885	5,854
Current assets			
Inventories	11	8,038	4,901
Trade and other receivables	12	50,306	36,197
Deferred tax asset	13	137	70
Cash and cash equivalents	14	2,807	-
Total current assets		61,288	41,168
Total assets		66,173	47,022
Equity			
Called up equity share capital	17	6,700	6,700
Retained earnings	18	9,869	5,194
Total equity	18	16,569	11,894
Liabilities			
Provisions	16	-	258
Total non current liabilities		-	258
Current liabilities			
Bank overdraft	14	-	308
Trade and other payables	15	48,378	33,827
Income tax payable		1,226	735
Total current liabilities		49,604	34,870
Total liabilities		49,604	35,128
Total equity and liabilities		66,173	47,022

These financial statements were approved by the Board of Directors on 15 June 2007

Signed on behalf of the Board of Directors

M Holt
Director

Cash Flow Statement
For the Year Ended 31 December 2006

	Note	2006 £000	2005 £000
Cash flows from operating activities:			
Profit for the period		4,675	2,434
Adjustments for			
Depreciation	9	1,009	1,269
Impairment of goodwill	8	-	610
Loss/(gain) on disposal of property, plant and equipment		3	(1,564)
Net interest expense	6	-	59
Income tax expense	7	2,066	1,241
Operating profit before changes in working capital and provisions		7,753	4,049
Increase in debtors	12	(14,019)	(3,479)
Increase in stock and work in progress	11	(3,137)	(1,400)
Decrease in creditors and provisions	15, 16	14,293	5,042
Cash generated from operations		4,890	4,212
Net interest paid	6	-	(59)
Taxation paid		(1,642)	(1,397)
Net cash from operating activities		3,248	2,756
Cash flow from investing activities:			
Acquisition of fixed assets	9	(260)	(679)
Proceeds from disposal of fixed assets		-	1,700
Refund of investment	10	127	-
Net cash from investing activities		(133)	1,021
Cash flow from financing activities			
Dividends paid	18	-	(3,000)
Net cash from financing activities		-	(3,000)
Net increase in cash and cash equivalents		3,115	777
Cash and cash equivalents at 1 January		(308)	(1,085)
Cash and cash equivalents at 31 December	14	2,807	(308)

Notes to the Financial Statements
31 December 2006

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)

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 form 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

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
Revenues are recognised by reference to the stage of completion of the Company's contracts In most cases, given the services provided reflect an indeterminate number of acts over the contract term, revenue is recognised on a straight line basis Where specific works on contracts represent a significant element of the whole, revenue is deferred until those works have been completed An element of the services provided relates to the provision of energy where revenue is recognised at the point of usage by the customer

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 2006

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

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

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

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

Notes to the Financial Statements (continued)
31 December 2006

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

Defined benefit plan

The expected costs of providing pensions, as calculated periodically by professionally qualified actuaries, is recognised as an expense in the income statement so as to spread the cost of the service lives of employees in the schemes operated within the Group in such a way that the pension costs are a substantially level percentage of current and expected future pensionable payroll

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

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

Notes to the Financial Statements (continued)
31 December 2006

1. ACCOUNTING POLICIES (continued)

Impairment (continued)

Calculation of recoverable amount (continued)

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

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

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 items 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

Notes to the Financial Statements (continued)
31 December 2006

2. SEGMENTAL ANALYSIS (continued)

£000	Energy management services 2006	2005	Outsourced managed services 2006	2005	Multi-technical services 2006	2005	Total 2006	2005
Revenue from external customers	30,292	24,593	58,012	51,897	101,205	69,394	189,509	145,884
Inter-segment revenue	-	-	-	-	-	-	-	-
Total revenue	30,292	24,593	58,012	51,897	101,205	69,394	189,509	145,884
Segment result	2,817	2,976	9,286	6,085	9,736	5,385	21,839	14,446
Unallocated expenses							(15,098)	(10,712)
Operating profit before financing costs							6,741	3,734
Net financing costs							-	(59)
Income tax expense							(2,066)	(1,241)
Profit for the year							4,675	2,434
Segment assets	1,955	1,147	5,308	4,617	8,367	5,959	15,630	11,723
Unallocated assets							50,543	35,299
Total assets							66,173	47,022
Segment liabilities	5,225	4,087	7,281	5,185	12,423	9,863	24,929	19,135
Unallocated liabilities							24,675	15,993
Total liabilities							49,604	35,128

Notes to the Financial Statements (continued)
31 December 2006

3. EMPLOYMENT COSTS

	2006 £000	2005 £000
Wages and salaries	40,391	39,560
Compulsory social security contributions	3,559	3,488
Contributions to group defined benefit plan	493	908
Other pension costs	340	498
	44,783	44,454

Average Staff numbers	2006 No	2005 No
Management	7	15
Sales	-	34
Administration	208	206
Operations	1,406	1,237
	1,621	1,492

4. DIRECTORS' REMUNERATION

	2006 £000	2005 £000
Emoluments (excluding pension contributions)	-	672
	No	**No**
Number of directors who are members of a defined benefit scheme	-	1
Highest paid director's remuneration		
Emoluments (excluding pension contributions)	-	179

The amount of accrued pension of the highest paid director at 31 December 2006 was £nil (2005 £7,972)

The remuneration of the directors of the company has been borne by the parent company, Dalkia plc

5. ADMINISTRATIVE EXPENSES

Administrative expenses includes £nil (2005 £610,000) in respect of the impairment of goodwill

Fees payable to the Company's auditors for the audit of these financial statements are £50,000 (2005 £48,000) The fees have been borne by Dalkia Plc

6. NET FINANCING COSTS

	2006 £000	2005 £000
Bank interest	-	29
Financial income	-	29
Interest payable	-	(88)
Net financing expense	-	(59)

Notes to the Financial Statements (continued)
31 December 2006

7. INCOME TAX EXPENSE

	2006 £000	2005 £000
Current Tax		
UK Corporation Tax at 30% (2004 30%)	2,142	1,296
Adjustments for prior years	(9)	-
Total current tax	2,133	1,296
Deferred Tax		
origination and reversal of timing differences	(67)	(55)
Taxation charge for the year	2,066	1,241

Reconciliation of effective tax rate	**2006 %**	**2006 £000**	**2005 %**	**2006 £000**
Profit before tax		6,741		3,675
Income using the domestic corporation tax rate	30 0%	2,022	30 0%	1,103
Non-deductible expenses	0 9%	60	8 7%	322
Profit on sale of fixed assets covered by capital losses brought forward	(0 0)%	-	(5 0)%	(184)
Other differences	(0 1)%	(7)	0 0%	-
Adjustments for prior years	(0 1)%	(9)	0 0%	-
	30 7%	2,066	33 7%	1,241

8 INTANGIBLE FIXED ASSETS

	Purchased Goodwill £000
Cost	
At 1 January and 31 December 2005	610
At 1 January and 31 December 2006	610
Amortisation and impairment losses	
At 1 January 2005	-
Impairment for the year	(610)
At 31 December 2005	(610)
At 1 January and 31 December 2006	(610)
Carrying values	
At 1 January 2005	610
At 31 December 2005	-
At 1 January and 31 December 2006	-

Notes to the Financial Statements (continued)

31 December 2006

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
Cost or valuation						
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
At 1 January 2006	-	166	2,473	3,211	245	6,095
Additions	-	47	7	150	56	260
Disposals	-	-	-	(4)	-	(4)
At 31 December 2006	-	213	2,480	3,357	301	6,351
Depreciation and impairment losses						
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
At 1 January 2006	-	103	1,306	1,976	123	3,508
Charge in year	-	45	577	345	42	1,009
Disposals	-	-	-	(1)	-	(1)
At 31 December 2006	-	148	1,883	2,320	165	4,516
Carrying values						
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
At 1 January 2006	-	63	1,167	1,235	122	2,587
At 31 December 2006	-	65	597	1,037	136	1,835

Notes to the Financial Statements (continued)
31 December 2006

10. FIXED ASSET INVESTMENTS

	2006 £000	2005 £000
Cost and net book value		
At 1 January	3,177	3,177
Additions	(127)	-
At 31 December	3,050	3,177

The principal subsidiary undertakings at 31 December 2006 were

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

During 2006, the company received a refund on the original purchase price of Goldfield Electronics Limited

11. INVENTORIES

	2006 £000	2005 £000
Raw materials and consumables	222	187
Contract work in progress	7,816	4,714
	8,038	4,901

12. TRADE AND OTHER RECEIVABLES

	2006 £000	2005 £000
Current		
Trade debtors	39,801	24,576
Amounts recoverable on contracts	911	606
Amounts owed by group companies	877	2,009
Finance lease debtors	92	150
Other debtors	377	1,677
Prepayments and accrued income	8,248	7,179
	50,306	36,197
Non-current		
Finance lease debtors	-	81
Other debtors	-	9
	-	90

The aggregate rental income receivable during the year on finance leases was £15,012 (2005 £24,354) The original cost of assets existing for the purposes of letting under finance leases was £997,000 (2005 £997,000)

Notes to the Financial Statements (continued)
31 December 2006

13. DEFERRED TAX ASSETS
The deferred taxation asset is attributable to the following

	2006 £000	2005 £000
Property, plant and equipment	137	70

The movement of £67,000 has been recognised in income

14. CASH AND CASH EQUIVALENTS

	2006 £000	2005 £000
Bank balances	2,807	-
Bank overdraft	-	(308)
Cash and cash equivalents in the statement of cash flows	2,807	(308)

15. TRADE AND OTHER PAYABLES

	2006 £000	2005 £000
Trade creditors	9,318	8,553
Amounts due to group companies	9,368	4,986
Payments on account	1,731	1,607
Other taxation and social security costs	5,309	4,394
Other creditors	218	203
Accruals and other deferred income	22,434	14,084
	48,378	33,827

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Losses on contracts £000	Other £000	Total £000
At 1 January 2006	211	47	258
Released to the income statement	(36)	-	(36)
Utilised in the period	-	(13)	(13)
Reclassified to accruals and deferred income	(175)	-	(175)
Transferred to Dalkia plc	-	(34)	(34)
At 31 December 2006	-	-	-

Notes to the Financial Statements (continued)
31 December 2006

17. CALLED UP SHARE CAPITAL

	2006 £000	2005 £000
Authorised		
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
	10,000	10,000
Allotted and fully paid		
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
	6,700	6,700

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 2005	6,700	5,760	12,460
Profit for the year	-	2,434	2,434
Dividends	-	(3,000)	(3,000)
At 31 December 2005	6,700	5,194	11,894
At 1 January 2006	6,700	5,194	11,894
Profit for the year	-	4,675	4,675
At 31 December 2006	6,700	9,869	16,569

19. OPERATING LEASES

Non-cancellable operating leases are payable as follows

	2006 £000	2005 £000
Less than one year	637	1,644
Between two to five years	1,276	2,519
	1,913	4,163

During the year ended 31 December 2006, £3,734,000 was recognised as an expense in the income statement in respect of operating leases (2005 £4,032,000)

20. CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2006 or 31 December 2005

Notes to the Financial Statements (continued)
31 December 2006

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 £493,000 (2005 £908,000) 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 2006 At the date of the update the scheme was in deficit by £28,188,000 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 £340,000 (2005 £498,000)

22. RELATED PARTY DISCLOSURES

The company has a related party relationship with its fellow subsidiaries of Dalkia plc

	Sales of services to		Purchases of services from		Outstanding balance 31 December	
	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000
Dalkia Plc	-	-	-	3,658	(3,383)	291
Dalkia Utilities Services Plc	974	876	74	198	168	174
Parkersell Limited	4	-	2,190	3,528	(2,477)	(1,023)
Dalkia Technical Services Limited	-	-	-	-	(3,508)	(3,508)
Goldfield Limited	-	-	-	498	709	1,089
	978	876	2,264	7,882	(8,491)	(2,977)

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 2006

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 Kleber
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

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

The application of IFRS7 in the year ended 31 December 2006 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 2007