

COMPANY NO. 906936

DALKIA ENERGY & TECHNICAL SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2007

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Company Information

Directors	L P Correia M Holt F Pelege 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 2007

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

Review of the year

Turnover grew by 17% to £221,882,000 (2006 £189,509,000) Profit for the year after taxation was £4,871,000 (2006 £4,675,000)

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

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. Dalkia has invested considerable time and effort in 2007 to ensure we track more effectively key aspects of Corporate Responsibility including

- Our own environmental performance
- The impact of our energy services
- Our customers
- The community
- Our employees (in terms of diversity, inclusion and training)

Our progress in this area is contained within the Corporate Responsibility Report

What is the outlook for the business?

2007 has been another year of continued progress for Dalkia in the UK. With strong financial results and a refocused sector-based approach, it represents another significant step on the road to achieving our strategic development goals. In 2006 we committed to ambitious targets for the UK business as part of a future, international 2020 vision for Dalkia and the positive results of 2007 mean that we are already well on target to deliver on these promises

Energy will be the cornerstone of our future to our growth strategy. There has never been a better time to be a provider of energy services and in "CarbonCare" we have a package of solutions that set us ahead of our competitors in offering a truly concept-to-delivery range of solutions

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

Report of the Directors (continued)

Energy cost volatility

2007 was a year of two halves in the Energy Markets. The extreme volatility of 2005 and 2006 seemingly disappeared as gas, electricity and oil prices all fell to the lowest levels in 4 years. Plentiful supply, milder weather and lack of geopolitics all contributed to the fall in prices.

However, post May 2007, we saw a sharp reversal in the trend. Gas and electricity prices took direction from the large upturn in oil prices and Dalkia has had to work closely with its clients to offset these price swings and uncertainty.

The UK's increased reliance on gas imports, combined with the generation mix of predominantly gas fired units and the remaining generating fleet requiring a major overhaul over the medium term, means that we are seeing UK prices being driven by the availability of plant and the fuel itself. The logical short term solution is an even greater effort by businesses and organisations to reduce consumption and take the pressure away for the generation issue.

Health and Safety, Quality and Environment

At all levels, our people remain committed to the effective management and delivery of our Health, Safety, Quality and Environmental responsibilities. The effectiveness of the Group's systems and actions is underpinned by the reduced accident results reported: the reportable incidence rate was reduced by 20% over 2006 figures, whilst the severity rate was reduced by 9.8% over the same period. The organisation is ever vigilant and has maintained progress and audit results against the ISO9001, ISO14001 and OHSAS 18001 certifications.

Dividends

A final dividend is proposed for 2007 of £2,340,000 (2006: £4,700,000). No interim dividend for 2007 was paid (2006: £nil).

Directors and their interests

The present membership of the board is set out on page 1. L. P. Correia resigned as a director of the company and F. Pelegrino was appointed as a director of the company on 21 January 2008. All of the other directors held office throughout the year.

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

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 2007 were 22 days (2006: 28 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.

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 9 October 2008 and signed on its behalf by

M Holt
Director

A handwritten signature in black ink, appearing to be 'M Holt', written over a horizontal line.

Independent auditors report 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 2007 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 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 2007 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

8 Salisbury Square
London EC4Y 8BB

Date *9 October 2008*

Income Statement
for the year ended 31 December 2007

	Note	2007 £000	2006 £000
Revenue		221,882	189,509
Cost of sales		<u>(193,082)</u>	<u>(160,240)</u>
Gross profit		28,800	29,269
Administrative expenses		<u>(22,704)</u>	<u>(22,528)</u>
Profit before tax		6,096	6,741
Income tax expense	6	<u>(1,225)</u>	<u>(2,066)</u>
Profit for the year	17	<u>4,871</u>	<u>4,675</u>

All the company's operations are continuing

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

Balance Sheet

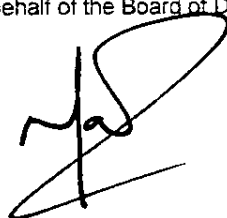
at 31 December 2007

	Note	2007 £000	2006 £000
Assets			
Intangible assets	7	-	-
Property, plant & equipment	8	1,244	1,835
Investments	9	23	3,050
Total non current assets		<u>1,267</u>	<u>4,885</u>
Current assets			
Inventories	10	13,193	8,038
Trade and other receivables	11	54,726	50,306
Deferred tax asset	13	196	137
Cash and cash equivalents	14	236	2,807
Total current assets		<u>68,351</u>	<u>61,288</u>
Total assets		<u>69,618</u>	<u>66,173</u>
Equity			
Called up equity share capital	16	6,700	6,700
Retained earnings	17	10,040	9,869
Total equity	17	<u>16,740</u>	<u>16,569</u>
Current liabilities			
Trade and other payables	15	52,618	48,378
Income tax payable		260	1,226
Total current liabilities		<u>52,876</u>	<u>49,604</u>
Total liabilities		<u>52,876</u>	<u>49,604</u>
Total equity and liabilities		<u>69,618</u>	<u>66,173</u>

These financial statements were approved by the Board of Directors on 9 October 2008

Signed on behalf of the Board of Directors

M Holt
Director



Cash Flow Statement**For the Year Ended 31 December 2007**

	Note	2007 £000	2006 £000
Cash flows from operating activities			
Profit for the year		4,871	4,675
<i>Adjustments for:</i>			
Depreciation	8	810	1,009
Loss on disposal of property, plant and equipment	9	9	3
Loss on disposal of investment		3,027	-
Income tax expense	6	1,225	2,066
Operating profit before changes in working capital and provisions		9,942	7,753
(Increase) in debtors	11	(4,420)	(14,019)
(Increase) in stock and work in progress	10	(5,155)	(3,137)
Increase in creditors and provisions	15	4,240	14,293
Cash generated from operations		4,607	4,890
Taxation paid		(2,250)	(1,642)
Net cash from operating activities		2,357	3,248
Cash flow from investing activities			
Acquisition of fixed assets	8	(267)	(260)
Proceeds from disposal of fixed assets		39	-
Refund of investment	9	-	127
Net cash from investing activities		(228)	(133)
Cash flow from financing activities			
Dividends paid	17	(4,700)	-
Net cash from financing activities		(4,700)	-
Net increase in cash and cash equivalents		(2,571)	3,115
Cash and cash equivalents at 1 January		2,807	(308)
Cash and cash equivalents at 31 December	14	236	2,807

Notes to the Financial Statements

31 December 2007

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 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.

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 2007

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 substantively 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 2007

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 2007

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 2007

2. SEGMENTAL ANALYSIS (continued)

£000	Energy management services		Outsourced managed services		Multi-technical services		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Total revenue	27,256	30,292	93,696	58,012	100,930	101,205	221,882	189,509
Segment result								
Unallocated expenses	2,352	2,817	9,283	9,286	9,904	9,736	21,539	21,839
							(15,443)	(15,098)
Operating profit before financing costs							6,096	6,741
Income tax expense							(1,225)	(2,066)
Profit for the year							4,871	4,675
Segment assets								
Unallocated assets	1,685	1,955	10,029	5,308	12,819	8,367	24,533	15,630
							45,085	50,543
Total assets							69,618	66,173
Segment liabilities								
Unallocated liabilities	4,150	5,225	11,284	7,281	12,217	12,423	27,651	24,929
							25,225	24,675
Total liabilities							52,876	49,604

Notes to the Financial Statements (continued)

31 December 2007

3. EMPLOYMENT COSTS

	2007 £000	2006 £000
Wages and salaries	46,983	40,391
Compulsory social security contributions	4,195	3,559
Contributions to group defined benefit plan	436	493
Other pension costs	424	340
	<u>52,038</u>	<u>44,783</u>
Average Staff numbers	2007 No	2006 No
Management	9	7
Administration	208	208
Operations	<u>1,416</u>	<u>1,406</u>
	<u>1,633</u>	<u>1,621</u>

4 DIRECTORS' REMUNERATION

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

5. ADMINISTRATIVE EXPENSES

Fees payable to the Company's auditors for the audit of these financial statements are £50,000 (2006 £50,000) The fees have been borne by Dalkia Plc

6 INCOME TAX EXPENSE

	2007 £000	2006 £000
Current Tax		
UK Corporation Tax at 30% (2006 30%)	1,774	2,142
Adjustments for prior years	<u>(490)</u>	<u>(9)</u>
Total current tax	<u>1,284</u>	<u>2,133</u>
Deferred Tax		
Origination and reversal of timing differences	(65)	(67)
Adjustments for prior years	(8)	-
Reduction in tax rate	<u>14</u>	<u>-</u>
	<u>(59)</u>	<u>(67)</u>
Taxation charge for the year	<u>1,225</u>	<u>2,066</u>
Reconciliation of effective tax rate	2007 %	2006 %
Profit before tax	<u>6,096</u>	<u>6,741</u>
Income using the domestic corporation tax rate	30.0%	30.0%
Non-deductible expenses	(2.0)%	0.9%
Other differences	(0.0)%	(0.1)%
Effect of lower tax rate used for deferred tax	0.2%	0.0%
Adjustments for prior years	(8.1)%	(0.1)%
	<u>20.1%</u>	<u>30.7%</u>
	<u>1,225</u>	<u>2,066</u>

Notes to the Financial Statements (continued)

31 December 2007

7. INTANGIBLE FIXED ASSETS

	Purchased Goodwill £000
Cost	
At 1 January and 31 December 2006	610
At 1 January and 31 December 2007	610
Amortisation and impairment losses	
At 1 January and 31 December 2006	(610)
At 1 January and 31 December 2007	(610)
Carrying values	
At 1 January and 31 December 2006	-
At 1 January and 31 December 2007	-

Notes to the Financial Statements (continued)

31 December 2007

8. PROPERTY, PLANT AND EQUIPMENT

	Plant £000	Office equipment, fixtures and fittings £000	Plant at clients' premises £000	Leasehold improvements £000	Total £000
Cost or valuation					
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
At 1 January 2007	213	2,480	3,357	301	6,351
Additions	76	26	165	-	267
Disposals	(150)	(1,098)	(207)	(185)	(1,640)
At 31 December 2007	139	1,408	3,315	116	4,978
Depreciation and impairment losses					
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
At 1 January 2007	148	1,883	2,320	165	4,516
Charge in year	50	421	309	30	810
Disposals	(150)	(1,089)	(205)	(148)	(1,592)
At 31 December 2007	48	1,215	2,424	47	3,734
Carrying values					
At 1 January 2006	63	1,167	1,235	122	2,587
At 31 December 2006	65	597	1,037	136	1,835
At 1 January 2007	65	597	1,037	136	1,835
At 31 December 2007	91	193	891	69	1,244

Notes to the Financial Statements (continued)**31 December 2007****9 FIXED ASSET INVESTMENTS**

	2007 £000	2006 £000
Cost and net book value		
At 1 January	3,050	3,177
Additions	-	(127)
Disposals	(3,027)	-
At 31 December	23	3,050

The principal subsidiary undertakings at 31 December 2007 were

	Country of incorporation and registration	Activity	Proportion of ordinary shares held
Goldfield Electronics Limited	England	Security systems	100%

During 2007, Dalkia Technical Services Limited was dissolved and the investment in that company was disposed of. The resulting expense has been included within administrative expenses in the Income Statement. During 2006, the company received a refund on the original purchase price of Goldfield Electronics Limited.

10 INVENTORIES

	2007 £000	2006 £000
Raw materials and consumables	207	222
Contract work in progress	12,986	7,816
	13,193	8,038

11. TRADE AND OTHER RECEIVABLES

	2007 £000	2006 £000
Current		
Trade debtors	40,812	39,801
Amounts recoverable on contracts	1,215	911
Amounts owed by group companies	981	877
Finance lease debtors	-	92
Other debtors	8,422	377
Prepayments and accrued income	3,296	8,248
	54,726	50,306

The aggregate rental income receivable during the year on finance leases was £4,954 (2006 £15,012). The original cost of assets existing for the purposes of letting under finance leases was £997,000 (2006 £997,000).

Notes to the Financial Statements (continued)

31 December 2007

11. TRADE AND OTHER RECEIVABLES (continued)

The ageing of trade receivables, net of allowance for impairment, at the reporting date was

	2007 £000	2006 £000
Not past due	23,443	19,207
Past due 0 - 30 days	7,473	9,299
Past due 31 - 90 days	5,410	7,327
Past due 91 - 180 days	2,942	1,506
Past due 181 - 365 days	1,133	1,839
More than one year	411	623
	<u>40,812</u>	<u>39,801</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows

	2007 £000	2006 £000
Balance at 1 January	1,329	1,314
Impairment loss recognised	<u>(173)</u>	<u>15</u>
Balance at 31 December	<u>1,156</u>	<u>1,329</u>

Based on past experience, the company believes that no impairment allowance is necessary in respect of trade receivables not past due

The allowance account in respect of trade receivables is used to record impairment losses unless the company is satisfied that no recovery of the amount owing is possible, at that point the amount considered irrecoverable is written off against the financial asset directly

12. FINANCIAL RISK MANAGEMENT

Exposure to credit and currency risk arises in the normal course of the Company's business

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets.

The maximum exposure to credit risk is represented by the carrying value of trade receivables and finance lease receivables.

Liquidity risk

The maximum exposure to liquidity risk is represented by the carrying value of trade payables which have a contractual maturity of due within 6 months.

13. DEFERRED TAX ASSETS

The deferred taxation asset is attributable to the following

	2007 £000	2006 £000
Property, plant and equipment	<u>196</u>	<u>137</u>

The movement of £59,000 has been recognised in income

Notes to the Financial Statements (continued)

31 December 2007

14 CASH AND CASH EQUIVALENTS

	2007 £000	2006 £000
Bank balances	236	2,807
Cash and cash equivalents in the statement of cash flows	236	2,807

15 TRADE AND OTHER PAYABLES

	2007 £000	2006 £000
Trade creditors	8,105	9,318
Amounts due to group companies	10,945	9,368
Payments on account	1,959	1,731
Other taxation and social security costs	5,288	5,309
Other creditors	-	218
Accruals and other deferred income	26,321	22,434
	52,618	48,378

16. CALLED UP SHARE CAPITAL

	2007 £000	2006 £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

Capital management

The Board's policy when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders, and to sustain the future development of the business. In order to maintain or adjust the capital structure, the company may issue new shares or raise medium/long term debt.

Notes to the Financial Statements (continued)

31 December 2007

17 RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES

	Share Capital £000	Retained earnings £000	Total £000
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
At 1 January 2007	6,700	9,869	16,569
Profit for the year	-	4,871	4,871
Dividends	-	(4,700)	(4,700)
At 31 December 2007	6,700	10,040	16,740

18. OPERATING LEASES

Non-cancellable operating leases are payable as follows

	2007 £000	2006 £000
Less than one year	966	637
Between two to five years	1,494	1,276
	2,460	1,913

During the year ended 31 December 2007 £857,000 was recognised as an expense in the income statement in respect of operating leases (2006 £3,734,000)

19 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2007 or 31 December 2006

20. 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 £436,000 (2006 £493,000). 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 2007. At the date of the update the scheme was in deficit by £9,737,000. 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 £424,000 (2006 £340,000).

Notes to the Financial Statements (continued)**31 December 2007****21. 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	
	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000
Dalkia Plc	-	-	-	-	(10,190)	(3,383)
Dalkia Utilities Services Plc	640	974	15	74	(24)	168
Dalkia Lighting and Electrical Services Limited *	39	4	2,909	2,190	(196)	(2,477)
Dalkia Technical Services Limited	-	-	-	-	-	(3,508)
Dalkia Ireland Limited	89	-	135	-	1	-
Dalkia Energy & facilities Limited	-	-	350	-	(211)	-
Goldfield Limited	-	-	-	-	656	709
	<u>768</u>	<u>978</u>	<u>3,409</u>	<u>2,264</u>	<u>(9,964)</u>	<u>(8,491)</u>

* On 11th March 2008, Parkersell (Lighting & Electrical) Services Limited changed its name to Dalkia Lighting and Electrical Services Limited

22. 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.

Copies of the accounts can be obtained from

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Elizabeth House
56-60 London Road
Staines
TW18 4BQ

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

Veolia Environnement SA
36-38 avenue Kleber
75116 Paris
France

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

23. 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.

Notes to the Financial Statements (continued)

31 December 2007

24. 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

- IFRS8 *Operating Segments* applicable for years commencing on or after 1 January 2008. The application of IFRS8 in the year ended 31 December 2007 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 2008.
- IFRIC12 *Concession arrangements* has been issued and is applicable for accounting periods beginning on or after 1 January 2008. IFRIC12 provides guidance on the accounting for private to public arrangements. Certain of the company's service contracts fall within the scope of IFRIC12 but the accounting for these contracts is expected to remain unchanged.
- IFRIC14 has been issued and is applicable for accounting periods beginning on or after 1 January 2008. IFRIC14 clarifies the requirement of IAS19 paragraph 58, which limits the measurement of a defined benefit asset to the "present value of an economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan" plus unrecognised gains and losses. The application of IFRIC14 in the year ended 31 December 2007 would have had no effect as the defined benefit pension is in deficit.
- IFRIC 13 *Customer loyalty programs* has been issued and is mandatory for periods beginning on or after 1 July 2008. IFRIC 13 has no impact of the Group as it does not enter into customer loyalty programs.
- *Amendments to IAS23 Borrowing Costs* has been issued and is effective for accounting periods beginning on or after 1 January 2009. The amendment removes the option of expensing borrowing costs relating to qualifying assets. The application of IAS23 in the year ended 31 December 2007 would have had no impact.
- *Amendments to IAS1 Presentation of Financial Statements – a revised presentation* is applicable for accounting periods beginning on or after 1 January 2009. The application of the amendment in the year ended 31 December 2007 would have required the Group to include a Statement of Comprehensive Income and Expense.