COMPANY NO: 906936

DALKIA ENERGY & TECHNICAL SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2004

Contents

Company Information

Directors	D Brooks-Wilson L P Correia D Gill M Holt I Howarth T Morton J Roberts K Turner J Winterbottom R Wood
Secretary	P Stevens
Registered office	Elizabeth House 56 – 60 London Road Staines Middlesex TW18 4BQ
Registered number	906936
Auditors	RSM Robson Rhodes LLP Chartered Accountants 186 City Road London EC1V 2NU
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 2004.

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 amounted to £3,677,000 (2003: £3,701,000) and is dealt with as shown in the profit and loss account on page 5.

An interim dividend of £2.8m was paid in June 2004 (June 2003: £3.9m). No additional dividend is proposed. The directors anticipate that an interim dividend for 2005 will be declared and paid in June 2005.

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 D Brooks-Wilson and Mr L P Correia were appointed as directors on 19 July 2004 and 1 January 2005 respectively. In addition, Mrs E Godsen resigned as company secretary on 12 February 2004 and Mr P Stevens was appointed company secretary on 12 February 2004. All other directors served throughout the year.

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 Employees

The company gives every consideration to applications for employment from disabled persons where the requirements of the job may be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Report of the Directors
(Continued)

Employee Involvement

The company has for many years been fully committed to securing the full co-operation and involvement of its employees in the success of the business. 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 2004 were 24 days (2003: 29 days).

Statement of directors' responsibilities for the Annual Report

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and 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

RSM Robson Rhodes 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 5 May 2005 and signed on its behalf by:

Jeff Winterbottom
Managing Director

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

We have audited the financial statements on pages 5 to 17.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion:

- the Directors' Report is not consistent with the financial statements;
- if the Company has not kept proper accounting records;
- if we have not received all the information and explanations we require for our audit;
- or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with United Kingdom Accounting Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all 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 of the state of affairs of the company as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors

London, England
5 May 2005

Profit and Loss Account
for the year ended 31 December 2004

	Note	2004 £ '000	2003 £ '000
Turnover – continuing operations	2	143,489	129,722
Cost of sales		(117,016)	(105,217)
Gross profit		26,473	24,505
Administrative expenses		(21,284)	(19,144)
Operating profit – continuing operations	5	5,189	5,361
Interest receivable and similar income	6	33	95
Profit on ordinary activities before taxation		5,222	5,456
Tax on profit on ordinary activities	7	(1,545)	(1,755)
Profit for the financial period		3,677	3,701
Dividends	8	(2,775)	(3,900)
Profit / (loss) transferred to / (from) reserves		902	(199)
Retained profit brought forward		4,724	4,923
Retained profit carried forward	18	5,626	4,724

There were no recognised gains or losses other than as stated above.

Balance Sheet
at 31 December 2004

	Note	2004 £ '000	2003 £ '000
Fixed assets			
Intangible assets	9	476	610
Tangible assets	10	3,313	3,098
Investments	11	3,177	3,158
		6,966	6,866
Current assets			
Stocks and work in progress	12	3,501	1,366
Debtors: amounts falling due after one year	13	240	367
Debtors: amounts falling due within one year	13	32,583	30,775
Cash at bank and in hand	14	56	1,033
		36,380	33,541
Creditors: Amounts falling due within one year	15	(30,651)	(28,350)
Net current assets		5,729	5,191
Total assets less current liabilities		12,695	12,057
Provision for liabilities and charges	16	(369)	(633)
Total net assets		12,326	11,424
Capital and reserves			
Called up equity share capital	17	6,700	6,700
Profit and loss account	18	5,626	4,724
Total equity shareholders' funds	18	12,326	11,424

These financial statements were approved by the Board of Directors on 5 May 2005.

Signed on behalf of the Board of Directors:

Jeff Winterbottom
Managing Director

Notes to the Financial Statements
31 December 2004

1. ACCOUNTING POLICIES

Basis of accounting
The financial statements are prepared under the historic cost convention in accordance with applicable accounting standards. Consolidated financial statements have not been prepared, as the company is a wholly owned subsidiary of Dalkia Plc, for which consolidated financial statements are prepared. The financial statements only present information about the company and do not contain information relating to the group as a whole. The particular accounting policies adopted by the directors are described below.

Turnover
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.

Tangible fixed assets and depreciation
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.

Intangible fixed assets
Goodwill arising represents any difference between the cost of acquisition and the fair value of the net assets acquired. The difference is capitalised as goodwill and written off on a straight-line basis over the shorter of estimated useful economic life or 20 years.

Investments
Investments are included at cost less any provision for impairment.

Stocks and work in progress
Stocks and work in progress are stated at the lower of cost and net realisable value.

Leases
Rentals under operating leases are charged to the profit and loss account in equal annual amounts over the lease term.

Assets leased to third parties
For assets leased to third parties under finance leases, the income from finance charges is allocated to accounting periods so as to give a constant rate of return on the net cash investment in the lease. The net investment in finance leases included in debtors represents total lease payments receivable, net of finance charges relating to future accounting periods.

Notes to the Financial Statements
31 December 2004
(Continued)

1. ACCOUNTING POLICIES (Continued)

Deferred taxation
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.

Defined Benefit Pension Scheme
The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost of the service lives of employees in the schemes operated by the company in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Defined Contribution Pension Scheme
Contributions to defined contribution schemes are charged to the profit and loss account as incurred.

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.

Cash flow
Under the provisions of FRS 1, the Company is exempt from producing a cash flow statement since it is a wholly owned subsidiary of an EC company that produces a consolidated cash flow statement.

2. TURNOVER

The turnover and operating profit are derived entirely within the UK and are attributable to three main business activities: energy management services, outsourced managed services and multi-technical services.

The analysis of turnover by activity is as follows:

	2004 £ '000	2003 £ '000
Energy management services	20,472	16,399
Outsourced managed services	48,552	36,946
Multi-technical services	74,465	76,377
	143,489	129,722

During the year, the directors have reviewed the classification of certain contracts and the analysis of turnover has been revised accordingly. 2003 balances have been restated to be consistent with 2004 classifications.

Notes to the Financial Statements
31 December 2004
(Continued)

3. DIRECTORS' REMUNERATION

	2004 £ '000	2003 £ '000
Emoluments	409	781
	409	781
	No.	No.
Number of directors who are members of a defined benefit scheme	4	5

	2004 £ '000	2003 £ '000
Highest paid director's remuneration:		
Emoluments	111	124

The amount of accrued pension of the highest paid director at 31 December 2004 was £5,006 (2003: £23,737).

4. STAFF COSTS

	2004 £ '000	2003 £ '000
Wages and salaries	39,849	36,253
Social security costs	3,545	3,370
Other pension costs (note 21)	1,479	1,475
	44,873	41,098

The average number of employees during the year, including directors, was 1,475 (2003: 1,401). All employees were engaged in the principal activities of the business.

5. OPERATING PROFIT

	2004 £ '000	2003 £ '000
This is stated after charging:		
Depreciation of tangible fixed assets	1,075	985
Amortisation of intangible fixed assets	134	134
Auditor's remuneration		
- Audit fees	52	52
- Other services	12	-
Operating lease rentals		
- Land and buildings	567	544
- Plant and machinery	3,018	3,192

Notes to the Financial Statements
31 December 2004
(Continued)

6. INTEREST RECEIVABLE

	2004 £ '000	2003 £ '000
Other interest receivable	33	95

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £ '000	2003 £ '000
Current Tax		
UK Corporation Tax at 30% (2003: 30%)	1,735	1,787
Prior year tax adjustment	(48)	-
Total current tax	1,687	1,787
Deferred Tax		
- origination and reversal of timing differences	(142)	(32)
Taxation charge for the year	1,545	1,755

Current tax reconciliation	2004 £ '000	2003 £ '000
Profit on ordinary activities before taxation	5,222	5,456
Corporation tax at 30% (2003: 30%)	1,567	1,637
Effect of:		
Prior year tax adjustment	(48)	-
Expenses not deductible for tax purposes	89	100
Capital allowances in excess of depreciation	79	50
Current tax charge for the period	1,687	1,787

8. DIVIDENDS

	2004 £ '000	2003 £ '000
Interim dividend paid of £0.41 (2003: £0.58) per share	2,775	3,900

Notes to the Financial Statements
31 December 2004
(Continued)

9. INTANGIBLE FIXED ASSETS

	Purchased Goodwill £ '000
Cost	
At 1 January and 31 December 2004	2,589
Amortisation	
At 1 January 2004	(1,979)
Charge for the year	(134)
At 31 December 2004	(2,113)
Net book value	
At 31 December 2004	476
At 31 December 2003	610

Notes to the Financial Statements
31 December 2004
(Continued)

10. TANGIBLE FIXED ASSETS

	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 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
Depreciation						
At 1 January 2004	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 2004	243	186	1,399	2,738	225	4,791
Net book value						
At 31 December 2004	138	68	1,412	1,426	269	3,313
At 31 December 2003	141	74	1,199	1,391	293	3,098

Notes to the Financial Statements
31 December 2004
(Continued)

11. FIXED ASSET INVESTMENTS

	2004 £ '000	2003 £ '000
Cost and net book value		
At 1 January	3,158	3,027
Additions	19	131
At 31 December	3,177	3,158

The principal subsidiary undertakings at 31 December 2004 were:

Company	Country of incorporation and registration	Proportion of ordinary shares held
Goldfield Electronics Limited (design & installation of electronic security systems)	England	100%
Dalkia Technical Services Limited (dormant)	England	100%

12. STOCKS AND WORK IN PROGRESS

	2004 £ '000	2003 £ '000
Raw materials and consumables	228	264
Contract work in progress	3,273	1,102
	3,501	1,366

13. DEBTORS

	2004 £ '000	2003 £ '000
Amounts falling due within one year		
Trade debtors	22,634	21,359
Amounts recoverable on contracts	892	1,159
Amounts owed by group companies	1,368	490
Finance lease debtors	122	113
Other debtors	987	1,664
Prepayments and accrued income	6,580	5,990
	32,583	30,775
Amounts falling due after more than one year		
Finance lease debtors	212	324
Other debtors	28	43
	240	367

The aggregate rental income receivable during the year on finance leases was £33,031 (2003: £41,090). The original cost of assets existing for the purposes of letting under finance leases was £997,000 (2003: £997,000).

Notes to the Financial Statements
31 December 2004
(Continued)

14. CASH AT BANK AND IN HAND

Cash at bank includes an amount of £nil (31 December 2003: £37,179) held in trust accounts. This amount was used to settle specific balances within the plant replacement fund.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £ '000	2003 £ '000
Amounts falling due within one year		
Trade creditors	6,394	5,174
Amounts due to group companies	5,014	4,978
Payments on account	1,801	1,528
Corporation tax	836	1,288
Other taxation and social security costs	4,222	4,066
Other creditors	177	177
Accruals and other deferred income	11,066	11,139
Bank overdraft	1,141	-
	30,651	28,350

16. PROVISIONS FOR LIABILITIES AND CHARGES

	2004 £ '000	2003 £ '000
Provisions for foreseeable losses on long term contracts		
Opening balance at 1 January	415	665
Decrease in the year	(107)	(250)
Closing balance at 31 December	308	415
Other specific provisions		
Opening balance at 1 January	91	266
Utilised in the year	(30)	(175)
Closing balance at 31 December	61	91
Deferred tax provision		
Opening balance at 1 January	127	159
(Released) to the profit & loss account	(127)	(32)
Closing balance at 31 December	-	127
	369	633

The deferred tax (asset) / provision is analysed as follows:

Amount (recognised) / provided	2004 £ '000	2003 £ '000
Accelerated capital allowances	(15)	127

The deferred tax asset is included within other debtors (note 13).

Notes to the Financial Statements
31 December 2004
(Continued)

17. CALLED UP SHARE CAPITAL

	2004 £ '000	2003 £ '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. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENT OF RESERVES

	Share Capital £ '000	Profit and loss Account £ '000	Total £ '000
At 1 January 2004	6,700	4,724	11,424
Profit for the year	-	3,677	3,677
Dividends	-	(2,775)	(2,775)
At 31 December 2004	6,700	5,626	12,326

Notes to the Financial Statements

31 December 2004
(Continued)

19. FINANCIAL COMMITMENTS

At 31 December 2004 the company was committed to making the following payments during the next year in respect of operating leases:

	2004 £ '000	2003 £ '000
Land and buildings		
Leases which expire:		
Within one year	91	-
Within two to five years	367	189
After five years	227	472
	685	661
Other		
Leases which expire:		
Within one year	699	265
Within two to five years	1,318	2,442
After five years	-	-
	2,017	2,707

20. CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2004 or 31 December 2003.

21. PENSION COMMITMENTS

Defined benefit scheme

The company is a participating employer in the Dalkia Group Pension Scheme, a defined benefit scheme. 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 £1,030,000 (2003: £1,125,000). 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.

A full actuarial valuation was carried out at 31 March 2002, which was updated to 1 January 2004. At the date of the valuation update, the market value of the scheme's assets was £77.9 million, and the market value of the assets was sufficient to cover 85% of the benefits that had accrued to members, after allowing for expected future increases in salaries. Particulars of the actuarial review are included within the annual report of Dalkia plc. The assets of the scheme are held separately from those of the Group, and the Company is unable to separately identify the share of the underlying assets and liabilities related to its employees.

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 £449,000 (2003: £350,000).

Notes to the Financial Statements
31 December 2004
(Continued)

22. RELATED PARTY DISCLOSURES

The Company is a wholly owned subsidiary of Dalkia Plc which produces consolidated financial statements, and accordingly has taken advantage of the exemption provided in FRS 8 not to disclose certain intra-group transactions with related parties.

23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING ENTITY

The immediate parent undertaking, UK ultimate parent undertaking and the ultimate parent undertaking of the smallest group for which consolidated financial statements are drawn up is Dalkia Plc.

The ultimate controlling entity and the ultimate parent undertaking of the largest group for which consolidated financial statements are drawn up is Veolia Environnement SA (a company incorporated and registered in France). Copies of accounts are available from:

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

Veolia Environnement S.A.
36-38 avenue Kléber
75116 Paris
France

24. CONTINGENT LIABILITIES

On 10 January 1994 the company and its subsidiaries entered into an agreement with its parent company Dalkia Plc and fellow subsidiary undertakings. A cross guarantee exists between all parties to the agreement whereby each company has guaranteed the bank current accounts of the others. Dalkia plc has an unsecured overdraft facility of £5 million.