

COMPANY NO: 499423

PARKERSELL LIMITED

GROUP ANNUAL REPORT

Year ended 31 December 2004



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Company Information

Directors	L P Correia M J Horlock J H Roberts J Winterbottom M Harrington
Secretary	P B Stevens
Registered office	Elizabeth House 56 – 60 London Road Staines Middlesex TW18 4BQ
Registered number	499423
Auditors	RSM Robson Rhodes LLP Chartered Accountants 186 City Road London EC1V 2NU
Bankers	Royal Bank of Scotland PO Box 39952 2½ Devonshire Square London EC2M 4XJ

Report of the Directors

The directors present their report and the audited consolidated financial statements of the Parkersell Group for the year ended 31 December 2004.

Principal activities

The principal activities of the Group during the year continued to be the installation and maintenance of lighting and electrical services and the provision of lighting design services.

On 1 January 2005, the Group sold its subsidiary, Parkersell Lighting Services (Ireland) Limited to Dalkia Ireland Limited, a fellow subsidiary of Dalkia Plc.

Business review and future developments

The Group profit for the year after taxation amounted to £2,308,738 (2003: £2,388,354) and is dealt with as shown in the profit and loss account on page 5.

No final dividend is proposed for 2004 (2003: nil pence per share). An interim dividend for 2004 was paid of £2.557 per share (2003: £3).

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

Creditors

It is the Group's normal practice to agree terms of transactions, including payment terms, with suppliers and provided suppliers perform in accordance with the agreed terms, it is the Group's policy that payment is made accordingly. Creditor days at 31 December 2004 were 39 (2003: 26).

Employee Involvement

The Group has for many years been fully committed to securing the full co-operation and involvement of its employees in the success of the business.

This is achieved by direct communication and consultation with all employees and with representatives, where appropriate, at the locations in which they work. Employees are regularly informed of the performance and progress of their company by briefing groups and are encouraged to maximise company performance by means of incentive schemes.

Disabled Employees

The Group 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 Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Directors and their interests

The present membership of the Board is set out on page 1.

Mr L Bermejo resigned as a director on 1st January 2005. Mr L P Correia was appointed as a director on 1st January 2005, and M Harrington was appointed as a director on 28th February 2005. All other directors served throughout the year. Mr J Winterbottom is the director retiring by rotation under Article 89 and, being eligible, offers himself for re-election.

None of the directors had any notifiable interests in the share capital of the Company or any other Group undertakings as at 31 December 2004.

Report of the Directors (continued)

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:

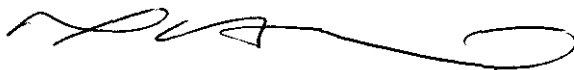
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 to 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 Group 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:



M Horlock
Director

Independent Auditors' Report to the Shareholders of Parkersell Limited

We have audited the financial statements on pages 5 to 24.

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 information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, 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 and the group as at 31 December 2004 and of the group's 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

**Consolidated Profit and Loss Account
for the year ended 31 December 2004**

	Note	2004 £	2003 £
Group Turnover			
Continuing operations		32,515,838	31,581,526
Discontinued operations		<u>1,153,174</u>	<u>1,116,100</u>
Group Turnover	2	33,669,012	32,697,626
Change in stocks and work in progress		<u>366,980</u>	<u>16,256</u>
		34,035,992	32,713,882
Raw materials and consumables		<u>(9,110,809)</u>	<u>(8,706,294)</u>
		<u>24,925,183</u>	<u>24,007,588</u>
Staff costs	5	(14,333,932)	(13,550,173)
Depreciation and amortisation	3	(680,258)	(619,281)
Other operating charges		<u>(7,080,060)</u>	<u>(7,209,994)</u>
		(22,094,250)	(21,379,448)
Analysis of group operating profit			
Continuing operations		2,740,171	2,715,916
Discontinued operations		<u>90,762</u>	<u>(87,776)</u>
Group operating profit:	3	2,830,933	2,628,140
Profit on disposal of property		289,277	525,944
Interest receivable and similar income	6	139,976	178,566
Interest payable and similar charges	7	<u>(3,014)</u>	<u>(1,239)</u>
Profit on ordinary activities before taxation	3	3,257,172	3,331,411
Tax on profit on ordinary activities	8	<u>(948,434)</u>	<u>(943,057)</u>
Profit on ordinary activities after taxation		2,308,738	2,388,354
Dividends	9	<u>(1,790,000)</u>	<u>(2,100,000)</u>
Retained profit for the financial year	18	<u>518,738</u>	<u>288,354</u>

Consolidated Statement of Total Recognised Gains and Losses

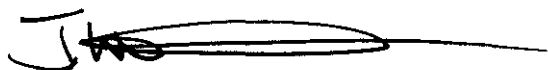
For the year ended 31 December 2004

	Note	2004 £	2003 £
Profit for the financial year		2,308,738	2,388,354
Currency translation differences on foreign currency net investments		<u>13,086</u>	<u>58,621</u>
Total recognised gains and losses for the year since the last annual report		<u>2,321,824</u>	<u>2,446,975</u>

Consolidated Balance Sheet
at 31 December 2004

	Note	2004 £	2003 £
Fixed assets			
Intangible assets	10	603,880	695,386
Tangible assets	11	<u>919,724</u>	<u>1,390,403</u>
		1,523,604	2,085,789
Current assets			
Stocks and work in progress	12	2,562,617	2,074,718
Debtors	13	10,938,811	9,805,081
Cash at bank and in hand		<u>5,255,395</u>	<u>5,751,746</u>
		18,756,823	17,631,545
Creditors: amounts falling due within one year	14	<u>(6,655,469)</u>	<u>(6,568,171)</u>
Net current assets		<u>12,101,354</u>	<u>11,063,374</u>
Total assets less current liabilities		13,624,958	13,149,163
Creditors: amounts falling due after more than one year	14	(143,654)	(193,654)
Provisions for liabilities and charges	15	<u>(37,000)</u>	<u>(37,000)</u>
Total net assets		<u>13,444,304</u>	<u>12,918,509</u>
Capital and reserves			
Called up share capital	17	700,000	700,000
Share premium account	18	238	238
Other reserves	18	20,762	26,791
Profit and loss account	18	<u>12,723,304</u>	<u>12,191,480</u>
Total equity shareholders' funds	19	<u>13,444,304</u>	<u>12,918,509</u>

The financial statements were approved by the Board of Directors on 5 May 2005 and signed on its behalf by:

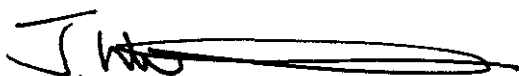


J Winterbottom
Director

Company Balance Sheet
at 31 December 2004

	Note	2004 £	2003 £
Fixed assets			
Tangible assets	25	-	208,467
Investments	26	701,081	701,081
		<u>701,081</u>	<u>909,548</u>
Current assets			
Debtors	27	1,156,000	604,140
Cash at bank and in hand		1,472,203	1,746,113
		<u>2,628,203</u>	<u>2,350,253</u>
Creditors: amounts falling due within one year	28	<u>(55,025)</u>	<u>(361,484)</u>
Net current assets		<u>2,573,178</u>	<u>1,988,769</u>
Total net assets		<u>3,274,259</u>	<u>2,898,317</u>
Capital and reserves			
Called up share capital	17	700,000	700,000
Share premium account	30	238	238
Other reserves	30	20,762	26,791
Profit and loss account	30	2,553,259	2,171,288
Total equity shareholders' funds	31	<u>3,274,259</u>	<u>2,898,317</u>

These financial statements were approved by the Board of Directors on 5 May 2005 and signed on its behalf by:



J Winterbottom
Director

Notes to the Financial Statements

Year ended 31 December 2004

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

Basis of consolidation

The Group accounts consolidate the accounts of Parkersell Limited and all its subsidiary undertakings drawn up for the year ending 31 December. No profit and loss account is presented for Parkersell Limited as permitted by section 230 of the Companies Act 1985.

Related party transactions

The Company has taken advantage of the exemption contained in FRS 8 not to present transactions with other group entities as it is a wholly owned subsidiary of Dalkia plc, and such transactions are eliminated on consolidation.

Cash flow

The Company has taken the exemption afforded by Section 228 of the Companies Act 1985 from the requirement to prepare a cash flow statement as it is a wholly owned subsidiary.

Goodwill

Purchased goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful life, being 10 years. Goodwill arising prior to the introduction of FRS 10 remains written off against reserves; on disposal or closure of a business, or if any impairment is identified, a charge is made to the profit and loss account.

Tangible fixed assets and depreciation

Depreciation is provided on cost or valuation in equal annual instalments over the estimated useful lives of the assets. Where there is evidence of impairment, fixed assets are written down to recoverable amount. Any such write down would be charged to operating profit. The rates of depreciation are as follows:

Freehold properties	2% per annum
Short leasehold improvements	10% per annum
Plant and machinery	20% per annum
Computer and office equipment	10% to 33 1/3% per annum
Vehicles	25% to 40% per annum

Revenue recognition

Revenue is recognised as the services attributable to the principal activity of the company are provided. Timing differences arise between the provision of services (and consequent recognition of revenue) and invoicing. Amounts invoiced in advance of the provision of service are included within creditors as payments on accounts. Revenue recognised in advance of invoicing is shown within debtors as amounts recoverable on contracts.

Notes to the Financial Statements (continued)

Year ended 31 December 2004

1. ACCOUNTING POLICIES (continued)

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

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.

Foreign currencies

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Group

The balance sheets of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. Trading results of these subsidiaries are translated at an average rate of exchange for the year. The exchange differences arising on the re-translation of the financial statements of overseas subsidiaries undertakings are taken directly to retained profits. All other translation differences are taken to the profit and loss account.

Leases

Assets held under hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding. Rentals under operating leases are charged to profit and loss in equal annual amounts over the lease term.

Defined Benefit Pension Schemes

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 Group in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Defined Contribution Pension Schemes

Contributions to defined contribution schemes are charged to the profit and loss account as incurred.

Notes to the Financial Statements (continued)

Year ended 31 December 2004

2. 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. The turnover and pre tax profit are attributable to two activities, the installation and maintenance of lighting and electrical equipment and the provision of lighting design services.

Group turnover and profit before tax by geographical location were as follows:

	Turnover		Profit before tax	
	2004	2003	2004	2003
	£	£	£	£
United Kingdom	32,515,838	31,581,526	2,933,486	3,417,230
Rest of Europe	<u>1,153,174</u>	<u>1,116,100</u>	<u>323,686</u>	<u>(85,819)</u>
	<u>33,669,012</u>	<u>32,697,626</u>	<u>3,257,172</u>	<u>3,331,411</u>

3. GROUP OPERATING PROFIT

	Continuing	Discontinued	Total
	£	£	£
2003			
Turnover	31,581,526	1,116,100	32,697,626
Change in stocks and in work in progress	32,398	(16,142)	16,256
Raw materials and consumables	(8,307,920)	(398,374)	(8,706,294)
Staff costs	(13,143,477)	(406,696)	(13,550,173)
Depreciation and amortisation	(580,110)	(39,171)	(619,281)
Other operating charges	<u>(6,866,501)</u>	<u>(343,493)</u>	<u>(7,209,994)</u>
Group operating profit	<u>2,715,916</u>	<u>(87,776)</u>	<u>2,628,140</u>
2004			
Turnover	32,515,838	1,153,174	33,669,012
Change in stocks and in work in progress	337,655	29,325	366,980
Raw materials and consumables	(8,762,070)	(348,739)	(9,110,809)
Staff costs	(13,866,778)	(467,154)	(14,333,932)
Depreciation and amortisation	(647,168)	(33,090)	(680,258)
Other operating charges	<u>(6,837,306)</u>	<u>(242,754)</u>	<u>(7,080,060)</u>
Group operating profit	<u>2,740,171</u>	<u>90,762</u>	<u>2,830,933</u>

The discontinued operations relate to the sale of the Group's subsidiary, Parkersell Lighting Services (Ireland) Limited, a fellow subsidiary of Dalkia Plc, on 1 January 2005.

Notes to the Financial Statements (continued)
Year ended 31 December 2004

3. GROUP OPERATING PROFIT (continued)

Group operating profit is stated after charging/(crediting):

	2004 £	2003 £
Depreciation and other amounts written off tangible and intangible fixed assets:		
Owned assets	561,089	564,923
Amortisation of goodwill	94,000	58,000
Loss/(Profit) on sale of fixed assets	25,169	(3,642)
	<u>680,258</u>	<u>619,281</u>
Auditors' remuneration		
Audit fees	29,530	27,000
Other services	9,101	15,482
Operating lease rentals		
Land and buildings	468,088	504,378
Other	<u>1,122,811</u>	<u>1,505,406</u>

Auditors' remuneration in respect of the Company audit amounted to £13,000 (2003: £13,000).

4. DIRECTORS' REMUNERATION

	2004 £	2003 £
Emoluments (excluding pension contributions)	<u>228,142</u>	<u>270,815</u>
Number of directors who:	No	No
Are members of a defined benefit scheme	<u>2</u>	<u>2</u>
Highest paid director's remuneration:		
Emoluments (excluding pension contributions)	<u>137,827</u>	<u>168,092</u>
Pension contributions	<u>14,681</u>	<u>13,956</u>

The amount of the accrued pension of the highest paid director at 31 December 2004 was £15,277 (2003: £11,806).

Notes to the Financial Statements (continued)
Year ended 31 December 2004

5. STAFF COSTS

	2004	2003
	£	£
Wages and salaries	12,878,756	12,174,091
Social security costs	874,318	951,012
Other pension costs	580,858	425,070
	<u>14,333,932</u>	<u>13,550,173</u>
Average staff numbers:	No.	No.
Management	31	31
Sales	39	41
Administration	117	114
Operations	474	464
	<u>661</u>	<u>650</u>

6. INTEREST RECEIVABLE

	2004	2003
	£	£
Bank interest	682	1,957
Intercompany	139,294	176,609
	<u>139,976</u>	<u>178,566</u>

7. INTEREST PAYABLE

	2004	2003
	£	£
Other interest payable	<u>3,014</u>	<u>1,239</u>

Notes to the Financial Statements (continued)
Year ended 31 December 2004

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £	2003 £
Corporation Tax:		
UK Corporation tax at 30% (2003: 30%)	927,000	873,000
Overseas taxation	48,604	(9,592)
	<hr/>	<hr/>
Current Corporation Tax	975,604	863,408
Over provision in prior years	(21,600)	(16,888)
	<hr/>	<hr/>
Total Corporation Tax	954,004	846,520
Deferred Tax:		
Timing differences, origination and reversal	(5,570)	96,537
	<hr/>	<hr/>
Tax charge for the year	<hr/> 948,434	<hr/> 943,057
	2004 £	2003 £
Profit on ordinary activities before tax	<hr/> 3,257,172	<hr/> 3,331,411
Corporation tax at 30%	977,151	999,423
Factors affecting the current tax charge:		
Expenses not deductible for tax purposes	59,364	106,028
Capital allowances in excess of depreciation	42,170	3,663
Other short term timing differences	(36,600)	(100,200)
Profit on sale of fixed assets covered by capital losses brought forward	(22,278)	(157,800)
Different rates of tax on overseas earnings	(44,203)	12,294
Adjustments in respect of previous years	(21,600)	(16,888)
	<hr/>	<hr/>
Total Corporation Tax	<hr/> 954,004	<hr/> 846,520

Notes to the Financial Statements (continued)
Year ended 31 December 2004

9. DIVIDENDS

	2004 £	2003 £
Interim dividend paid £2.557 per ordinary share (2003: £3.00)	<u>1,790,000</u>	<u>2,100,000</u>

10. INTANGIBLE ASSETS

	Goodwill £
Cost	
At 1 January 2004	829,058
Additions	<u>2,494</u>
At 31 December 2004	<u>831,552</u>
Amortisation	
At 1 January 2004	133,672
Charge for the year	<u>94,000</u>
At 31 December 2004	<u>227,672</u>
Net book value	
At 31 December 2004	<u>603,880</u>
At 31 December 2003	<u>695,386</u>

Additions to Goodwill in the year are due to deferred consideration in respect of the acquisition of Pinniger and Partners.

Notes to the Financial Statements (continued)

Year ended 31 December 2004

11. TANGIBLE FIXED ASSETS

	Freehold properties £	Short leasehold improvements £	Plant and equipment £	Computer and office equipment £	Motor vehicles £	Total £
Cost						
At 1 January 2004	441,580	402,296	807,865	2,264,147	246,411	4,162,299
Exchange adjustments	2,653	65	805	1,386	2,621	7,530
Additions	-	104,318	96,399	229,978	55,632	486,327
Disposals	(444,233)	(19,081)	(175,629)	(392,711)	(164,070)	(1,195,724)
At 31 December 2004	-	487,598	729,440	2,102,800	140,594	3,460,432
Depreciation						
At 1 January 2004	99,618	173,526	606,659	1,723,808	168,285	2,771,896
Exchange adjustments	591	65	741	1,211	2,115	4,723
Charge for the year	4,340	70,284	81,939	366,118	38,408	561,089
Disposals	(104,549)	(15,589)	(165,140)	(381,545)	(130,177)	(797,000)
At 31 December 2004	-	228,286	524,199	1,709,592	78,631	2,540,708
Net book value						
At 31 December 2004	-	259,312	205,241	393,208	61,963	919,724
At 31 December 2003	341,962	228,770	201,206	540,339	78,126	1,390,403

Notes to the Financial Statements (continued)
Year ended 31 December 2004

12. STOCKS AND WORK IN PROGRESS

	2004 £	2003 £
Raw materials and finished goods for resale	1,795,300	1,428,320
Work in progress	767,317	646,398
	<u>2,562,617</u>	<u>2,074,718</u>

13. DEBTORS

	2004 £	2003 £
Trade debtors	5,450,398	5,379,125
Amounts recoverable on contracts	3,986,000	2,553,000
Amounts due from fellow group undertakings	1,073,928	1,391,904
Other debtors	144,259	186,570
Overseas taxation	-	13,942
Prepayments and accrued income	158,833	160,717
Deferred tax (note 16)	125,393	119,823
	<u>10,938,811</u>	<u>9,805,081</u>

All debtors, with the exception of deferred tax, are due within one year.

14. CREDITORS

	2004 £	2003 £
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade creditors	1,760,333	1,308,381
Payments received on account	1,006,000	798,000
Amounts due to group undertakings	267,504	154,372
Current corporation tax	540,025	439,558
Overseas taxation	34,824	-
Other taxes and social security costs	775,129	824,081
Other creditors	1,488,634	1,424,358
Accruals and deferred income	783,020	1,619,421
	<u>6,655,469</u>	<u>6,568,171</u>

AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Accruals and deferred income	<u>143,654</u>	<u>193,654</u>
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Notes to the Financial Statements (continued)

Year ended 31 December 2004

15. PROVISIONS FOR LIABILITIES AND CHARGES

	Vacant property £
At 1 January 2004	37,000
Utilised in the year	-
At 31 December 2004	<u>37,000</u>

16. DEFERRED TAXATION

The deferred taxation asset recognised in the accounts is analysed as follows:

	2004 £	2003 £
Accelerated capital allowances	(125,393)	(83,223)
Other short term timing differences	-	(36,600)
Total asset	<u>(125,393)</u>	<u>(119,823)</u>

17. SHARE CAPITAL

	2004 £	2003 £
Authorised:		
1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid:		
700,000 ordinary shares of £1 each	<u>700,000</u>	<u>700,000</u>

18. RESERVES

	Share premium £	Other reserves £	Profit and loss account £
At 1 January 2004	238	26,791	12,191,480
Retained profit for the financial period	-	-	518,738
Release on disposal of freehold property	-	(6,029)	-
Exchange differences on re-translation	-	-	13,086
At 31 December 2004	<u>238</u>	<u>20,762</u>	<u>12,723,304</u>

The cumulative amount of positive goodwill written off against reserves at 31 December 2004 was £228,172 (2003: £134,172); cumulative negative goodwill of £4 (2003: £4) has been added to reserves.

Notes to the Financial Statements (continued)
Year ended 31 December 2004

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit for the financial year	2,308,738	2,388,354
Dividends	<u>(1,790,000)</u>	<u>(2,100,000)</u>
	518,738	288,354
Other reserve released on disposal of freehold property	(6,029)	-
Currency translation differences	<u>13,086</u>	<u>58,621</u>
Net movement in shareholders' funds	525,795	346,975
Opening shareholders' funds	<u>12,918,509</u>	<u>12,571,534</u>
Closing shareholders' funds	<u>13,444,304</u>	<u>12,918,509</u>

20. FINANCIAL COMMITMENTS

Commitments under non-cancellable operating leases are as follows:

	Land & Buildings 2004 £	2003 £	Other 2004 £	2003 £
Operating leases which expire:				
within one year	8,801	29,132	160,410	189,832
between two and five years	325,678	141,670	670,643	1,097,567
over five years	<u>143,191</u>	<u>264,537</u>	<u>-</u>	<u>-</u>
	<u>477,670</u>	<u>435,339</u>	<u>831,053</u>	<u>1,287,399</u>

The company had no commitments under non-cancellable operating leases.

The company or the Group had no capital commitments.

Notes to the Financial Statements (continued)
Year ended 31 December 2004

21. PENSION COMMITMENTS

Defined benefit scheme

The Group 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 Group was £504,317 (2003: £388,816). 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 £76,541 (2003: £36,254).

22. CONTINGENT LIABILITIES

Company

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.

The Company is registered with HM Customs & Excise as a member of a group for VAT purposes, and as a result, jointly and severally liable on a continuing basis for amounts owing by other members of that group in respect of unpaid VAT.

The Company has issued a guarantee in favour of HM Customs and Excise in the sum of £10,000.

Group

The Group had issued general performance bonds to various customers amounting to £51,000 (2003: £51,000).

Notes to the Financial Statements (continued)

Year ended 31 December 2004

23. ULTIMATE PARENT UNDERTAKING

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. PRINCIPAL UNDERTAKINGS

The principal subsidiary undertakings at 31 December 2004 were:

Company	Country of incorporation and registration	Proportion of ordinary shares held
Parkersell (Lighting & Electrical) Services Ltd	England	100%
Parkersell Lighting Services (Ireland) Ltd	Ireland	100%
Pinniger and Partners Limited	England	100%

All subsidiary undertakings install and maintain lighting and electrical equipment or provide associated services.

On 1 January 2005, the Group sold its subsidiary, Parkersell Lighting Services (Ireland) limited to Dalkia Ireland Limited, a fellow subsidiary of Dalkia Plc, for consideration of £838,031.

Notes to the Financial Statements (continued)
Year ended 31 December 2004

25. TANGIBLE FIXED ASSETS - COMPANY

	Freehold properties £
Cost	
At 1 January 2004	271,268
Disposals	<u>(271,268)</u>
At 31 December 2004	<u>-</u>
Depreciation	
At 1 January 2004	62,801
Charge for the year	2,053
Disposals	<u>(64,854)</u>
At 31 December 2004	<u>-</u>
Net book value	
At 31 December 2004	<u>-</u>
At 31 December 2003	<u>208,467</u>

Notes to the Financial Statements (continued)
Year ended 31 December 2004

26. FIXED ASSET INVESTMENTS - COMPANY

	Shares in group undertakings £
Cost and net book value	
At 1 January and 31 December 2004	<u>701,081</u>

27. DEBTORS - COMPANY

	2004 £	2003 £
Trade debtors	-	3,390
Amounts due from subsidiary undertakings	1,150,000	550,000
Other debtors	6,000	18,287
Group relief	-	31,442
Deferred tax (note 29)	-	1,021
	<u>1,156,000</u>	<u>604,140</u>

28. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR - COMPANY

	2004 £	2003 £
Amounts due to group undertakings	-	254,859
Corporation tax	23,675	-
Other taxes and social security costs	-	-
Other creditors	31,350	-
Accruals and deferred income	-	106,625
	<u>55,025</u>	<u>361,484</u>

29. DEFERRED TAXATION - COMPANY

The deferred taxation asset recognised in the financial statements is analysed as follows:

	2004 £	2003 £
Deferred tax asset		
Accelerated capital allowances	-	1,021

Notes to the Financial Statements (continued)
Year ended 31 December 2004

30. RESERVES - COMPANY

	Share premium £	Other reserves £	Profit and loss account £
At 1 January 2004	238	26,791	2,171,288
Retained profit for the financial period	-	-	381,971
Release on disposal of freehold property	-	(6,029)	-
At 31 December 2004	<u>238</u>	<u>20,762</u>	<u>2,553,259</u>

31. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS - COMPANY

	2004 £	2003 £
Profit for the financial year	381,971	586,107
Other reserve released on disposal of freehold property	<u>(6,029)</u>	<u>-</u>
Net movement in shareholders' funds	375,942	586,107
Opening shareholders' funds	<u>2,898,317</u>	<u>2,312,210</u>
Closing shareholders' funds	<u>3,274,259</u>	<u>2,898,317</u>