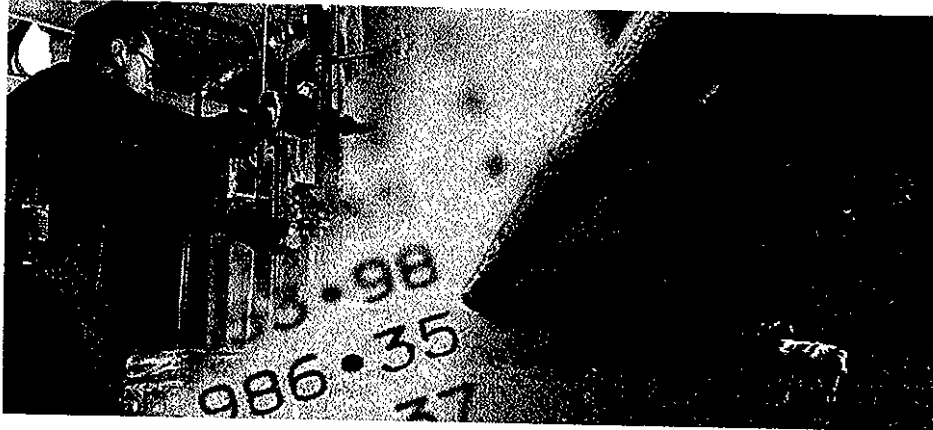
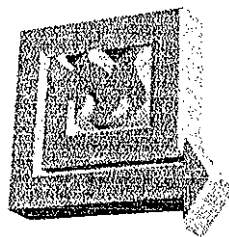


Registered No: 906936



Corrall-Montenay Limited
REPORT and FINANCIAL STATEMENTS
for the nine months ended 31 December 1997



CORRALL-MONTENAY LIMITED
MANAGERS OF ENERGY



CORRALL-MONTENAY LIMITED

Report and Financial Statements

31 December 1997

**Deloitte & Touche
Mounbatten House
1 Grosvenor Square
Southampton SO15 2BZ**

REPORT AND FINANCIAL STATEMENTS

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REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D B Mathews - Chairman	(appointed 10 December 1997)
K Roberts - Managing Director	
J Burrell - Finance Director	
I A Sexton	(appointed 10 December 1997)
S C Harris	(resigned 30 May 1997)
Monsieur J L Deligny	(resigned 19 December 1997)
Monsieur R F E Lageirse	(resigned 19 December 1997)
Monsieur A Y M A Lancereau	(resigned 19 December 1997)

SECRETARY

J Burrell

REGISTERED OFFICE

Energy House
33 Kingston Crescent
Portsmouth
Hampshire
PO2 8AD

BANKERS

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

SOLICITORS

Blake Lapthorn
New Court
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Segensworth
Fareham
Hampshire
PO15 5UA

AUDITORS

Deloitte & Touche
Chartered Accountants
Mountbatten House
1 Grosvenor Square
Southampton
Hampshire
SO15 2BZ

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the nine month period ended 31 December 1997.

PRINCIPAL ACTIVITY

The principal activity of the company is the total management of energy including electricity. This comprises the long term operation, maintenance and management of heating and air conditioning systems, including the provision of energy on a comprehensive basis where appropriate.

REVIEW OF DEVELOPMENTS

On 30 May 1997 the company ceased to be a joint venture when, after thirty years, Powell Duffryn plc sold its shareholding to Compagnie Générale de Chauffage, a member of the Compagnie Générale des Eaux group. As a consequence, the company's year end has been changed to 31 December to be consistent with its new parent company.

The company continues to grow profitably. Operating profit was up 28% on the corresponding nine month period of the previous year, which continues the progress made in the year to 31 March 1997. This result has been achieved by focusing on our mission statement and the successful strategy implemented in recent years, assisted by the tremendous effort and enthusiasm of all members of staff.

RESULTS AND DIVIDEND

The profit for the period after taxation amounted to £1,087,000 (year ended 31 March 1997: £1,485,000). The directors propose a dividend of £nil (31 March 1997: £1,000,000). As detailed in note 1, the company has chosen not to consolidate the results of its subsidiary, Ellis Tylin Limited.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. All directors served throughout the period except for Mr S C Harris who resigned on 30 May 1997 and Monsieur J L Deligney, Monsieur R F E Lageirse and Monsieur A Y M A Lancereau who resigned 19 December 1997. Mr D B Mathews and Mr I A Sexton were appointed on 10 December 1997.

None of the directors has or had any interest in the shares of the company or any other group company.

ENVIRONMENT

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

HEALTH AND SAFETY

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

DISABLED PERSONNEL

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

DIRECTORS' REPORT (continued)

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.

CHARITABLE DONATIONS

Donations to charitable organisations amounted to £665 in the period.

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 1997 were 74.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law 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 as at the end of the financial year 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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; 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. 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

Deloitte & Touche were appointed during the period to fill a casual vacancy. A resolution to reappoint Deloitte & Touche will be proposed at the forthcoming annual general meeting.

Approved by the Board of Directors
and signed on behalf of the Board



J Burrell

Secretary

Date:

27 April 1998



Chartered Accountants

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International + 44 1703 334124
Fax (Gp. 3): 01703 330948

AUDITORS' REPORT TO THE MEMBERS OF

CORRALL-MONTENAY LIMITED

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 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 of the state of the company's affairs at 31 December 1997 and of its profit for the nine month period then ended and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE

Chartered Accountants and Registered Auditors

Date: 13 May 1998

PROFIT AND LOSS ACCOUNT

For the nine month period ended 31 December 1997

	Note	9 months ended 31 December 1997 £'000	Year ended 31 March 1997 £'000
TURNOVER: continuing operations			
Cost of sales	2	14,378	18,472
		10,145	13,650
Gross profit		<hr/> 4,233	<hr/> 4,822
Administrative expenses		2,981	3,301
OPERATING PROFIT: continuing operations	5	<hr/> 1,252	<hr/> 1,521
Dividends from subsidiary	6	118	233
Interest receivable and similar income	7	177	334
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<hr/> 1,547	<hr/> 2,088
Tax on profit on ordinary activities	8	460	603
PROFIT FOR THE FINANCIAL PERIOD		<hr/> 1,087	<hr/> 1,485
Dividends	9	-	1,000
RETAINED PROFIT FOR THE FINANCIAL PERIOD		<hr/> 1,087	<hr/> 485
Retained profit brought forward		2,374	1,889
Retained profit carried forward		<hr/> 3,461	<hr/> 2,374

There have been no recognised gains or losses other than the profit for the current period and prior year. Hence a statement of total recognised gains and losses has not been prepared.

CORRALL-MONTENAY LIMITED

BALANCE SHEET

31 December 1997

	Note	31 December 1997 £'000	31 March 1997 £'000
FIXED ASSETS			
Tangible assets	10	688	701
Investments	11	1,800	1,800
		<u>2,488</u>	<u>2,501</u>
CURRENT ASSETS			
Stocks and work in progress	12	989	367
Debtors: amounts falling due after one year	13	421	777
Debtors: amounts falling due within one year	13	4,827	5,128
Cash at bank and in hand	14	3,212	3,225
		<u>9,449</u>	<u>9,497</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	15	5,545	6,235
NET CURRENT ASSETS		<u>3,904</u>	<u>3,262</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,392	5,763
PROVISIONS FOR LIABILITIES AND CHARGES	16	2,431	2,889
		<u>3,961</u>	<u>2,874</u>
CAPITAL AND RESERVES			
Called up share capital	17	500	500
Profit and loss account		3,461	2,374
TOTAL EQUITY SHAREHOLDERS' FUNDS	18	<u>3,961</u>	<u>2,874</u>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

27 April 1998

Directors



NOTES TO THE ACCOUNTS
Period ended 31 December 1997

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of preparation

The financial statements are prepared in accordance with applicable accounting standards. Consolidated financial statements have not been prepared as the company is a wholly owned subsidiary of Compagnie Générale de Chauffe for which consolidated financial statements are prepared. The particular accounting policies adopted by the directors are described below.

Related Party Transactions

The company has taken advantage of the exemption contained in FRS 8 not to present details of transactions with other group entities as it is a wholly owned subsidiary Compagnie Générale de Chauffe, and such transactions are eliminated on consolidation.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Plant and equipment	10% - 33% per annum
Computer and office equipment	20% - 33% per annum

Investments

Investments are included at cost less provision for any permanent diminution in value.

Stocks and work in progress

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

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is expected that the tax will arise.

Leases

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

Pension

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

Plant replacement fund

Receipts and expenditure relating to contracts where the company is responsible for the maintenance, repair or replacement of specified plant are credited or charged to the plant replacement fund. Provision is made for all foreseeable liabilities under these contracts with a corresponding adjustment to deferred taxation.

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 operating profit are attributable to one activity, the total management of energy, and are derived entirely within the United Kingdom.

NOTES TO THE ACCOUNTS
Period ended 31 December 1997

3. DIRECTORS' REMUNERATION

	9 months ended 31 December 1997 £'000	Year ended 31 March 1997 £'000
Directors' emoluments		
Emoluments (excluding pension contributions)	148	159
Number of directors who:	No.	No.
Are members of a defined benefit scheme	2	2
	1997 £'000	1996 £'000
Highest paid director's remuneration:		
Emoluments (excluding pension contributions)	90	87

The amount of the accrued pension of the highest paid director at 31 December 1997 was £17,375.

4. STAFF COSTS

	9 months ended 31 December 1997 £'000	Year ended 31 March 1997 £'000
Wages and salaries	3,340	4,169
Social security costs	324	377
Other pension costs	191	-
	3,855	4,546

The average number of employees during the period, including directors, was 204 (year ended 31 March 1997: 189). All employees were engaged in the principal activities of the business.

5. OPERATING PROFIT

	9 months ended 31 December 1997 £'000	Year ended 31 March 1997 £'000
This is stated after charging:		
Depreciation on tangible fixed assets	197	248
Loss on disposal of tangible fixed assets	3	6
Auditors' remuneration		
- Audit fees	15	14
- Other services	2	4
Operating lease rentals		
- Land and buildings	177	199
- Plant and machinery	420	507

NOTES TO THE ACCOUNTS
Period ended 31 December 1997

6. DIVIDENDS FROM SUBSIDIARY

	9 months ended 31 December 1997 £'000	Year ended 31 March 1997 £'000
Ellis Tylin Limited		
Ordinary	-	75
Preference	118	158
	<u>118</u>	<u>233</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	9 months ended 31 December 1997 £'000	Year ended 31 March 1997 £'000
Income from listed investments	-	69
Interest receivable from shareholders	54	49
Other interest receivable	123	157
Profit on disposal of investments	-	59
	<u>177</u>	<u>334</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	9 months ended 31 December 1997 £'000	Year ended 31 March 1997 £'000
UK Corporation Tax at 31% (year ended 31 March 1997: 33%)		
- Current	459	607
- Deferred	1	5
Tax credits on franked investment income	-	14
Over provision in respect of prior year	-	(23)
	<u>460</u>	<u>603</u>

9. DIVIDENDS

	9 months ended 31 December 1997 £'000	Year ended 31 March 1997 £'000
Dividend proposed of £nil per share (31 March 1997: £2 per share)	-	1,000
	<u>-</u>	<u>1,000</u>

NOTES TO THE ACCOUNTS
Period ended 31 December 1997

10. TANGIBLE FIXED ASSETS

	Plant and equipment £'000	Computer and office equipment £'000	Total £'000
Cost			
At 1 April 1997			
Additions	940	720	1,660
Disposals	92 (14)	97 -	189 (14)
At 31 December 1997	1,018	817	1,835
Depreciation			
At 1 April 1997			
Charge for the period	625	334	959
Disposals	89 (9)	108 -	197 (9)
At 31 December 1997	705	442	1,147
Net book value			
At 31 December 1997	313	375	688
At 31 March 1997	315	386	701

11. INVESTMENTS HELD AS FIXED ASSETS

	31 December 1997 £'000
Cost and net book value	
At 1 April 1997 and 31 December 1997	1,800

The company holds 100% of the ordinary and cumulative non-voting preference shares of Ellis Tylin Limited, a company registered in England and Wales. The principal activities of this company are the operation, maintenance and servicing of air conditioning, heating, electrical and fire protection systems.

NOTES TO THE ACCOUNTS
Period ended 31 December 1997

12. STOCKS AND WORK IN PROGRESS

	31 December 1997 £'000	31 March 1997 £'000
Raw materials and consumables	264	287
Work in progress	725	80
	<u>989</u>	<u>367</u>

13. DEBTORS

	31 December 1997 £'000	31 March 1997 £'000
Amounts falling due after more than one year		£'000
Deferred taxation asset (see below)	421	527
ACT recoverable on proposed dividend	-	250
	<u>421</u>	<u>777</u>
Amounts falling due within one year		
Trade debtors	2,775	2,610
Amounts owed by shareholders	1,070	2,049
ACT recoverable on dividend paid	250	-
Dividend receivable	39	75
Other debtors	176	27
Prepayments and accrued income	517	367
	<u>4,827</u>	<u>5,128</u>
Deferred taxation asset		
Deferred tax at 31% (year ended 31 March 1997: 33%)	421	528
Plant replacement fund	-	(1)
Provisions and interest receivable	421	527
	<u>421</u>	<u>527</u>
	£'000	
At 1 April 1997	527	
Profit and loss account	(106)	
At 31 December 1997	<u>421</u>	

The plant replacement fund deferred asset represents corporation tax paid on part of the net receipts and provisions held in the fund. In the opinion of the directors the asset will be recoverable without replacement by future expenditure against, or releases of, provisions.

NOTES TO THE ACCOUNTS
Period ended 31 December 1997

14. CASH AT BANK AND IN HAND

Cash at bank includes an amount of £917,437 (31 March 1997: £806,886) held in trust accounts. This amount is to be used in settling specific balances within the plant replacement fund.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December	31 March
	1997	1997
	£'000	£'000
Amounts falling due within one year		
Trade creditors	2,237	2,004
Corporation tax	332	351
Other taxation and social security	272	656
Other creditors	342	161
Accruals and deferred income	2,362	2,063
Proposed dividend	-	1,000
	<hr/>	<hr/>
	5,545	6,235
	<hr/>	<hr/>

There are no amounts falling due after more than one year.

16. PROVISIONS FOR LIABILITIES AND CHARGES

	31 December	31 March
	1997	1997
	£'000	£'000
Plant replacement fund		
At 1 April 1997	2,889	3,259
Receipts from guarantee customers and provisions	1,330	1,650
Expenditure	(1,788)	(2,020)
	<hr/>	<hr/>
At 31 December 1997	2,431	2,889
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Period ended 31 December 1997

17. CALLED UP SHARE CAPITAL

	31 December 1997 £'000	31 March 1997 £'000
Authorised		
500,000 'A' ordinary shares at £1 each	500	500
500,000 'B' ordinary shares at £1 each	500	500
	<hr/> 1,000	<hr/> 1,000
Allotted called up and fully paid		
250,000 'A' ordinary shares at £1 each	250	250
250,000 'B' ordinary shares at £1 each	250	250
	<hr/> 500	<hr/> 500

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

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 December 1997 £'000	31 March 1997 £'000
Profit for the financial period/year	1,087	1,485
Dividends	-	(1,000)
	<hr/> 1,087	<hr/> 485
Net addition to shareholders' funds	2,874	2,389
Opening shareholders' funds		
	<hr/> 3,961	<hr/> 2,874
Closing shareholders' funds		

NOTES TO THE ACCOUNTS
Period ended 31 December 1997

19. FINANCIAL COMMITMENTS

At 31 December 1997 the company was committed to making the following payments during the next year in respect of operating leases:

	31 December 1997 £'000	31 March 1997 £'000
Land and buildings		
Leases which expire:		
within one year	16	4
within two to five years	63	63
after five years	153	174
	<u>232</u>	<u>241</u>
Other		
Leases which expire:		
within one year	25	63
within two to five years	478	458
	<u>503</u>	<u>521</u>

20. CAPITAL COMMITMENTS

	31 December 1997 £'000	31 March 1997 £'000
Contracted for but not provided	-	42

21. DEFERRED TAXATION

	31 December 1997 £'000	31 March 1997 £'000
The amount of potential unprovided deferred tax calculated on the liability method is as follows:		
Timing differences arising from the excess of tax allowances on fixed assets eligible for such allowances over the depreciation provided in the accounts	-	(11)

NOTES TO THE ACCOUNTS

Period ended 31 December 1997

22. PENSION COSTS

Up to 30 September 1997 the company was a participant in the Powell Duffryn Pension Plan, which is a funded defined benefit scheme of the Powell Duffryn plc group. Contributions to that scheme are based on pension costs across that group as a whole.

On 1 October 1997 the company joined the ETS Pension Scheme which is a funded defined benefit scheme of the Energy and Technical Services Group plc.

In these accounts, the company's cost of participation in the schemes is recognised on the basis of contributions payable, and the net cost for the nine month period ended 31 December 1997 is therefore £191,305 (Year ended 31 March 1997: £Nil), £140,309 payable to the Powell Duffryn Pension Plan and £50,996 payable to the ETS Pension Scheme. This policy is consistent with UK Statement of Standard Accounting Practice No.24.

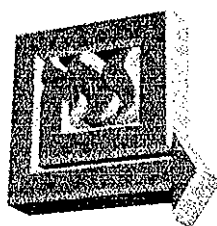
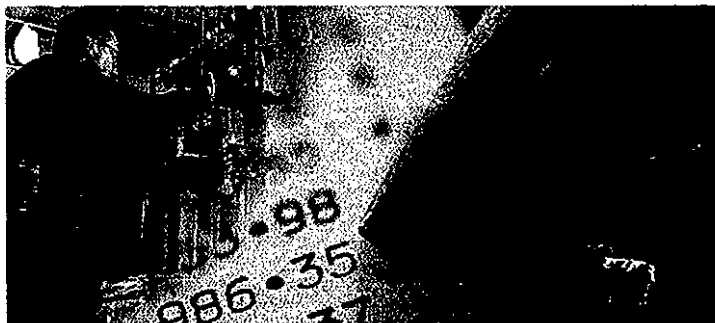
There are no prepaid pension contributions (Year ended 31 March 1997: £107,988) included in the balance sheet in debtors.

23. RELATED PARTY TRANSACTIONS

On 30 May 1997 Powell Duffryn plc repaid their short term advance of £1,000,000 and also paid interest totalling £33,156. The £1,000,000 short term advance made to Compagnie Générale de Chauffage remains outstanding at the year end, with total accrued interest of £70,265.

24. ULTIMATE PARENT COMPANY

In the opinion of the directors, the company's ultimate parent company is Compagnie Générale des Eaux, a company incorporated in France. Copies of the financial statements of Compagnie Générale des Eaux are available at 52 Rue d'Anjou, 75384 Paris Cedex 08, France.



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