

COMPANY NO: 906936

DALKIA ENERGY & TECHNICAL SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2008

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Company Information

Directors	M Holt I Howarth F Pelège P B Stevens 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 2008.

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 3.3% to £229,213,000 (2007: £221,882,000). Profit for the year after taxation was £4,480,000 (2007: £4,871,000).

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

Key performance indicators:

The following indicators have been extracted from the monthly reporting processes to illustrate the type of indicators which management use to guide and shape the business. These indicators provide management with a balanced and appropriate analysis of the development and performance of the business and financial position during the financial year.

	2008	2007	2006
Revenue	229,213	221,882	189,509
Total revenue in £'000			
Gross Profit margin	12.9%	13.0%	15.4%
Gross profit as a percentage of total revenue			
Operating profit margin	9.8%	9.9%	11.7%
Operating profit before group management charge, financing and income tax as a percentage of total revenue			
Creditor days			
(Trade Creditors / Total costs excluding employment costs and depreciation) x 365	23 days	22 days	28 days
Days Sales Outstanding			
(Trade receivables excluding VAT / Revenue) x 365	52 days	55 days	65 days

- UK revenues increased £7.3m (3.3%) predominately from organic growth and the impact of higher fuel prices.
- The gross profit margin reflects pressure on price but is consistent with previous years and is appropriate for the sector.
- The operating profit margin is consistent with previous years, reflecting cost containment and is appropriate for the sector.
- The creditor days measure for the financial year indicates payment of our suppliers within terms and is consistent with previous years.
- The days sales outstanding indicator shows continued improvement in working capital management and specifically debtor days with our customers.

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 2008 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.

Report of the Directors (continued)

What is the outlook for the business?

On the back of another year of strong financial results Dalkia faces the current economic climate with renewed optimism, our diversified client base and service offerings together with our continued focus on renewable, sustainable energy will mean significant opportunities for sustainable growth.

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.

What significant risks and uncertainties does the Group face?

Contractual risk

Our business is predominantly contract based, hence business may be adversely affected by failure to perform on major contracts. We have a structured and formal Project Authorisation and Review procedure (PAR) which aims to ensure that all legal, operational and commercial risks are properly considered before exchange of contracts with our clients. There is a separate and independent risk management function, which reports directly into the Chief Executive Officer

Energy cost volatility

The 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 37% over 2007 figures, whilst the severity rate increased by 38% over the same period, 16 accidents accounting for 902 days lost (82% of total days lost). 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 2008 of £3,754,000 (2007: £2,340,000). No interim dividend for 2008 was paid (2007: £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 on 21 January 2008. F Pelège was appointed as a director of the company on 21 January 2008 and P B Stevens and I Howarth were appointed as directors of the company on 27 March 2009. 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.

Report of the Directors (continued)

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 2008 were 23 days (2007: 22 days).

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU.

The financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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.

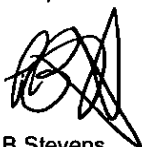
Disclosure of information to auditors

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 16 July 2009 and signed on its behalf by:



P B Stevens
Director

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 2008 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 2008 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

16 July 2009

Income Statement
for the year ended 31 December 2008

	Note	2008 £000	2007 £000
Revenue		229,213	221,882
Cost of sales		<u>(199,590)</u>	<u>(193,082)</u>
Gross profit		29,623	28,800
Administrative expenses	5	<u>(23,284)</u>	<u>(22,704)</u>
Profit before tax		6,339	6,096
Income tax expense	6	<u>(1,859)</u>	<u>(1,225)</u>
Profit for the financial year	17	<u>4,480</u>	<u>4,871</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 2008

	Note	2008 £000	2007 £000
Assets			
Intangible assets	7	-	-
Property, plant & equipment	8	760	1,244
Investments	9	23	23
Total non current assets		<u>783</u>	<u>1,267</u>
Current assets			
Inventories	10	12,430	13,193
Trade and other receivables	11	47,382	54,726
Deferred tax asset	13	200	196
Cash and cash equivalents	14	121	236
Total current assets		<u>60,133</u>	<u>68,351</u>
Total assets		<u>60,916</u>	<u>69,618</u>
Equity			
Called up share capital	16	6,700	6,700
Retained earnings	17	12,180	10,040
Total equity	17	<u>18,880</u>	<u>16,740</u>
Current liabilities			
Trade and other payables	15	41,348	52,618
Income tax payable		688	260
Total current liabilities		<u>42,036</u>	<u>52,878</u>
Total equity and liabilities		<u>60,916</u>	<u>69,618</u>

These financial statements were approved by the Board of Directors on 16 July 2009 and signed its behalf by:



P B Stevens
Director

Cash Flow Statement **For the Year Ended 31 December 2008**

	Note	2008 £000	2007 £000
Cash flows from operating activities			
Profit for the financial year		4,480	4,871
<i>Adjustments for:</i>			
Depreciation	8	474	810
Loss on disposal of property, plant and equipment		72	9
Loss on disposal of investment		-	3,027
Income tax expense	6	1,859	1,225
Operating profit before changes in working capital and provisions		6,885	9,942
Decrease/(increase) in trade and other receivables	11	7,344	(4,420)
Decrease/(increase) in inventories	10	763	(5,155)
(Decrease)/increase in trade and other payables	15	(11,270)	4,240
Cash generated from operations		3,722	4,607
Income taxes paid		(1,435)	(2,250)
Net cash from operating activities		2,287	2,357
Cash flows from investing activities			
Acquisition of property, plant and equipment	8	(92)	(267)
Proceeds from disposal of property, plant and equipment		30	39
Net cash used in investing activities		(62)	(228)
Cash flow from financing activities			
Dividends paid	17	(2,340)	(4,700)
Net cash used in financing activities		(2,340)	(4,700)
Net decrease in cash and cash equivalents		(115)	(2,571)
Cash and cash equivalents at 1 January		236	2,807
Cash and cash equivalents at 31 December	14	121	236

Notes to the Financial Statements

31 December 2008

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) as adopted by the E.U. (adopted IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB).

Basis of preparation

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

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the company's activities as described below.

Services

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

Notes to the Financial Statements (continued)

31 December 2008

1. ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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.

Investments

Investments held as non current assets are stated at cost less provision for any impairment in value.

Inventories

Inventories are measured at the lower of cost, computed on the first in first out basis, and net realisable value.

Intangible assets

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. In respect of business acquisitions that have occurred since 1 January 2003. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment.

Negative goodwill arising on an acquisition is recognised directly in the profit and loss account.

Segment reporting

A segment is a distinguishable component of the company that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of the other segments.

Assets held under operating leases

Rentals payable under operating leases are charged to the income statement on a straight line basis.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, except as noted below, on timing differences that have arisen but not reversed by the balance sheet date, where the timing differences result in an obligation to pay more tax, or a right to pay less tax, in the future. Timing differences arise because of differences between the treatment of certain items for accounting and taxation purposes.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Employee benefits

Defined contribution plan

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Notes to the Financial Statements (continued)

31 December 2008

1. ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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 Company's assets other than inventories and deferred tax assets, where policies are set out above, 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 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.

Notes to the Financial Statements (continued)**31 December 2008****1. ACCOUNTING POLICIES (continued)****Impairment (continued)**

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.

£000	Commercial		Rail & Retail		Total	
	2008	2007	2008	2007	2008	2007
Total revenue	165,797	160,401	63,416	61,481	229,213	221,882
Segment result	16,700	15,318	5,532	6,221	22,232	21,539
Unallocated expenses					(15,893)	(15,443)
Operating profit before financing costs					6,339	6,096
Income tax expense					(1,859)	(1,225)
Profit for the year					4,480	4,871
Segment assets	33,391	39,615	20,526	24,441	53,917	64,056
Unallocated assets					6,999	5,562
Total assets					60,916	69,618
Segment liabilities	17,007	22,480	3,545	4,985	20,552	27,465
Unallocated liabilities					21,484	25,413
Total liabilities					42,036	52,878

Notes to the Financial Statements (continued)

31 December 2008

3. EMPLOYMENT COSTS

	2008 £000	2007 £000
Wages and salaries	51,674	46,983
Social security costs	4,950	4,195
Contributions to group defined benefit plan	437	436
Other pension costs	512	424
	<u>57,573</u>	<u>52,038</u>
Presented in:		
Cost of sales	52,530	47,058
Administrative expenses	5,043	4,980
	<u>57,573</u>	<u>52,038</u>
The average number of employees during the year was made up as follows:		
Management	10	9
Administration	248	208
Operations	1,553	1,416
	<u>1,811</u>	<u>1,633</u>

4. EMOLUMENTS OF THE COMPANY'S DIRECTORS

The directors were remunerated by Dalkia plc during 2008 and 2007.

5. ADMINISTRATIVE EXPENSES

Fees payable to the Company's auditors for the audit of these financial statements are £50,000 (2007: £50,000). The fees have been borne by Dalkia Plc.

6. INCOME TAX EXPENSE

	2008 £000	2007 £000
Recognised in the income statement		
Current tax expense		
UK Corporation Tax	1,867	1,774
Adjustments in respect of prior years	(4)	(490)
Total current tax	<u>1,863</u>	<u>1,284</u>
Deferred tax expense		
Origination and reversal of timing differences	(42)	(65)
Adjustments in respect of prior years	38	(8)
Effect of change in rate	-	14
Total deferred tax	<u>(4)</u>	<u>(59)</u>
Total income tax expense in income statement	<u>1,859</u>	<u>1,225</u>

Notes to the Financial Statements (continued)

31 December 2008

6. INCOME TAX EXPENSE (continued)

Reconciliation of effective tax rate	2008 %	2008 £000	2007 %	2007 £000
Profit before tax		<u>6,339</u>		<u>6,096</u>
Income using the domestic corporation tax rate	28.5%	1,807	30.0%	1,829
Non-deductible expenses	0.3%	17	(2.0)%	(120)
Effect of change in rate	0.0%	1	0.2%	14
Adjustments in respect of prior years	0.5%	<u>34</u>	(8.1)%	<u>(498)</u>
	29.3%	<u>1,859</u>	20.1%	<u>1,225</u>

7. INTANGIBLE ASSETS

	Purchased Goodwill £000
Cost	
At 1 January 2007	610
Disposals	<u>(610)</u>
At 31 December 2007	<u>-</u>
Amortisation and impairment losses	
At 1 January 2007	(610)
Disposals	<u>610</u>
At 31 December 2007	<u>-</u>
Carrying values	
At 1 January 2007	<u>-</u>
At 31 December 2007	<u>-</u>

Notes to the Financial Statements (continued)

31 December 2008

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 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
At 1 January 2008	139	1,408	3,315	116	4,978
Additions	76	16	-	-	92
Disposals	-	-	(318)	-	(318)
At 31 December 2008	215	1,424	2,997	116	4,752
Depreciation and impairment losses					
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
At 1 January 2008	48	1,215	2,424	47	3,734
Charge in year	70	165	216	23	474
Disposals	-	-	(216)	-	(216)
At 31 December 2008	118	1,380	2,424	70	3,992
Carrying values					
At 1 January 2007	65	597	1,037	136	1,835
At 31 December 2007	91	193	891	69	1,244
At 31 December 2008	97	44	573	46	760

Notes to the Financial Statements (continued)**31 December 2008****9. FIXED ASSET INVESTMENTS**

	2008 £000	2007 £000
Cost and net book value		
At 1 January	23	3,050
Disposals	-	(3,027)
At 31 December	<u>23</u>	<u>23</u>

The principal subsidiary undertakings at 31 December 2008 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.

10. INVENTORIES

	2008 £000	2007 £000
Raw materials and consumables	152	207
Contract work in progress	12,278	12,986
	<u>12,430</u>	<u>13,193</u>

11. TRADE AND OTHER RECEIVABLES

	2008 £000	2007 £000
Current		
Trade receivables	38,614	40,812
Amounts owed by group companies	815	981
Other debtors	70	8,422
Amounts recoverable on contracts	4,945	1,215
Prepayments and accrued income	2,938	3,296
	<u>47,382</u>	<u>54,726</u>

The aggregate rental income receivable during the year on finance leases was £nil (2007: £4,954). The original cost of assets existing for the purposes of letting under finance leases was £997,000 (2007: £997,000).

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

	2008 £000	2007 £000
Not past due	25,597	23,443
Past due 0 - 30 days	7,762	7,473
Past due 31 - 90 days	2,991	5,410
Past due 91 - 180 days	1,121	2,942
Past due 181 - 365 days	324	1,133
More than one year	819	411
	<u>38,614</u>	<u>40,812</u>

Notes to the Financial Statements (continued)

31 December 2008

11. TRADE AND OTHER RECEIVABLES (continued)

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

	2008 £000	2007 £000
Balance at 1 January	1,156	1,329
Impairment loss released	(219)	(173)
Balance at 31 December	937	1,156

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

Management monitors rolling forecasts of the Groups' liquidity position and cash and cash equivalents on the basis of expected cash flow. This is generally carried out at a Group level in accordance with practice and limits set by Dalkia International S.A. In addition the Groups' liquidity management policy involves monitoring key balance sheet ratios against internal measures.

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:

	2008 £000	2007 £000
Property, plant and equipment	200	196

The movement of £4,000 has been recognised in income.

14. CASH AND CASH EQUIVALENTS

	2008 £000	2007 £000
Bank balances	121	236
Cash and cash equivalents in the statement of cash flows	121	236

Notes to the Financial Statements (continued)

31 December 2008

15. TRADE AND OTHER PAYABLES

	2008 £000	2007 £000
Trade payables	7,589	8,105
Amounts due to group companies	2,979	10,945
Payments on account	1,341	1,959
Other taxation and social security costs	6,485	5,288
Accruals and other deferred income	22,954	26,321
	<u>41,348</u>	<u>52,618</u>

16. CALLED UP SHARE CAPITAL

	2008 £000	2007 £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
	<u>10,000</u>	<u>10,000</u>
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
	<u>6,700</u>	<u>6,700</u>

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.

17. RECONCILIATION OF MOVEMENTS IN CAPITAL AND RESERVES

	Share Capital £000	Retained earnings £000	Total £000
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	<u>6,700</u>	<u>10,040</u>	<u>16,740</u>
At 1 January 2008	6,700	10,040	16,740
Profit for the year	-	4,480	4,480
Dividends	-	(2,340)	(2,340)
At 31 December 2008	<u>6,700</u>	<u>12,180</u>	<u>18,880</u>

Notes to the Financial Statements (continued)

31 December 2008

18. FINANCIAL COMMITMENTS

Capital commitments

The company had no capital commitments at 31 December 2008 or 31 December 2007.

Operating lease commitments

Non-cancellable operating leases are payable as follows:

	2008 £000	2007 £000
Less than one year	1,048	966
Between two to five years	1,290	1,494
	<u>2,338</u>	<u>2,460</u>

During the year ended 31 December 2008 £1,034,000 was recognised as an expense in the income statement in respect of operating leases (2007: £857,000).

Bank guarantees

The company has entered into a cash management agreement with its ultimate UK parent undertaking, Dalkia plc and fellow subsidiary whereby each company has guaranteed the bank current accounts of the others.

Other guarantees

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.

19. 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 £437,000 (2007: £436,000). 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 2008. At the date of the update the scheme was in deficit by £19,006,000. 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 £512,000 (2007: £424,000).

Notes to the Financial Statements (continued)**31 December 2008****20. 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	
	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000
Dalkia Plc	-	-	-	-	81	(10,190)
Dalkia Utilities Services Plc	1	640	23	15	75	(24)
Dalkia Lighting and Electrical Services Limited *	59	39	5,072	2,909	(2,659)	(196)
Dalkia Limited	14	-	-	-	-	-
Dalkia Ireland Limited	-	89	-	135	-	1
Dalkia Energy & Facilities Limited	-	-	663	350	(60)	(211)
Cogenco Ltd	-	-	16	-	-	-
Goldfield Limited	-	-	-	-	656	656
Veolia Water Systems	-	-	34	86	(20)	(19)
Veolia Environmental Services	-	-	466	271	(227)	(181)
EDF Energy	-	-	2,540	4,247	(10)	(150)
	<u>74</u>	<u>768</u>	<u>8,814</u>	<u>8,013</u>	<u>(2,164)</u>	<u>(10,314)</u>

21. 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:

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

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

Veolia Environnement SA
36-38 avenue Kléber
75116 Paris
France

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

22. ACCOUNTING ESTIMATES AND JUDGEMENTS

Management discusses 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.

The Group believes that the most critical accounting policies and significant areas of judgement and estimation arise from the accounting for defined benefit pension schemes under IAS 19 Employee benefits. Defined benefit pension schemes require significant judgements in relation to the assumptions for inflation, future salary and pension increases, investment returns and member longevity that underpin the valuation. Each year in selecting the appropriate assumptions the directors take advice from an independent qualified actuary. The assumptions and resultant sensitivities are included within the annual report of Dalkia plc.

Notes to the Financial Statements (continued)

31 December 2008

22. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

From time to time, disputes and subsequent negotiations may arise with customers over the value of work performed. This may create uncertainty over the recoverability of both work in progress and debtor balances. The company is currently in one such dispute and therefore, in preparing the financial statements, the Directors have exerted judgement in estimating the likely recoverability of these balances. The balance sheet reflects such judgement, based on the Boards best estimate of the likely outcome of the negotiations. Where amounts are deemed to be irrecoverable, an impairment charge or provision is recorded to reflect the relevant circumstances. However, the company will still pursue full recovery to the extent they believe entitlement exists.

23. ADOPTION OF NEW AND REVISED STANDARDS

The following standards, amendments and interpretations to existing standards, issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee were available for early application but have not been applied by the company in these financial statements:

- IFRS8 (Operating Segments), applicable for years commencing on or after 1 January 2009. The application of IFRS8 in the year ended 31 December 2008 would not have affected the balance sheets or income statement as the standard is concerned only with disclosure. The company plans to adopt the standard in 2009.
- *Amendments to IAS1 (Presentation of Financial Statements - Revised)* is applicable for accounting periods beginning on or after 1 January 2009. The application of the amendment in the year ended 31 December 2008 would have required the company to include a Statement of Comprehensive Income and Expense.
- IFRIC14 has been issued and is applicable for accounting periods beginning on or after 1 January 2009. 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 2008 would have had no effect on the company.
- *Amendments to IFRS 2 'Share based payment – Vesting Conditions and Cancellations'* has been issued and is effective for accounting periods beginning on or after 1 January 2009). The application of IFRS 2 in the year ended 31 December 2008 would have had no impact on the company's results.
- IAS 23 (Borrowing Costs – Revised), effective for annual accounting periods beginning on or after 1 January 2009. The revised standard requires the capitalization of borrowing costs, to the extent they are directly attributable to the acquisition, production or construction of a qualifying asset as part of the cost of that asset. The revisions to IAS 23 have no impact on either the company's accounting policies or its results or net assets.
- *Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments become mandatory for accounting periods beginning on or after 1 January 2009, with retrospective application required. The revisions to IAS 32 have no impact on the company's financial statements for year ended 31 December 2008.

The following standards and interpretations have been issued by the IASB and IFRIC, but have not been adopted by the European Commission (and published in the EU Official Journal) for their application to become mandatory:

- IFRS 3 (Business Combinations – Revised) and complementary amendments to IAS 27 (Consolidated and Separate Financial Statements – Revised), effective for business combinations in annual accounting periods of the company beginning on or after 1 January 2010. The revised standard will make any changes to how future business combinations will be accounted for, including accounting for acquisition costs, contingent consideration, step acquisitions and partial disposals of an investment in a subsidiary. As the revised standard is to be applied prospectively it is not possible to quantify its likely impact.