

**PARKERSELL HIGHWAY LIGHTING
SERVICES LIMITED**

Report and Financial Statements

31 December 1998

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



PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 1998

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS 1998

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

E Naour
D W Guthrie

SECRETARY

D W Guthrie

REGISTERED OFFICE

Parkersell House
Cranworth Road
Winchester
Hampshire
SO22 6SQ

BANKERS

National Westminster Bank Plc
1 Princes Street
London
EC2R 8PH

AUDITORS

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

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 1998.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year was the installation and maintenance of lighting and electrical equipment.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £556,337 (1997: loss of £1,451,788) as set out on page 5. An interim dividend of £3,600 per share was paid in December 1998.

The directors do not propose to pay a final dividend.

FUTURE PROSPECTS

In 1999 the company will confine its activity to generating profitable revenue from existing maintenance contracts and will refrain from further expansion until market conditions improve.

DIRECTORS AND THEIR INTERESTS

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

Messrs M L Hopkins and D B Mathews resigned as directors of the company on 31 August and 31 December 1998 respectively. Mr E Naour was appointed on 1 September 1998 and Mr D W Guthrie was appointed on 4 February 1999.

The directors had no interest in the share capital of the company or any other group undertaking as at 31 December 1998 or date of appointment.

CREDITORS

It is the company's normal practice to agree terms of transactions, including payments terms, with suppliers and provided suppliers perform in accordance with the agreed terms, it is the company's policy that payment is made accordingly.

YEAR 2000

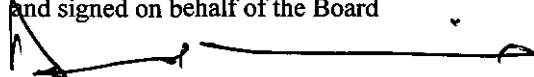
A review was undertaken in 1997 to identify areas of potential non compliance. Our policy is to upgrade our non compliant hardware and software and an implementation programme is in place. This costs of this programme are not expected to be material.

With regard to supplied products with embedded micro processor technology our policy is to advise all clients of any installed non compliant equipment of which we are aware. As a customer service we are committed to an ongoing programme to identify supplied products which may not be Year 2000 compliant.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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



D W GUTHRIE

Secretary

Date: 30 June 1999

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

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 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, subject to any material departures disclosed and explained in the financial statements;
- 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.



PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 13 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 as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE

Chartered Accountants and Registered Auditors

Date: 5 July 1999

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 December 1998

	Note	Continuing operations 1998 £	Continuing operations 1997 £
TURNOVER	2	6,042,860	6,284,411
Change in stocks and work in progress		(395,246)	(545,374)
		<u>5,647,614</u>	<u>5,739,037</u>
Raw materials and consumables (including exceptional credit of £50,000 (1997: charge of £100,000) – see note 4)		(3,230,426)	(3,492,271)
		<u>2,417,188</u>	<u>2,246,766</u>
Staff costs	6	(1,668,428)	(1,948,629)
Depreciation (including exceptional credit of £138,000 (1997: charge of £138,000) – see note 4)		(112,197)	(523,650)
Other operating charges (including exceptional credit of £273,000 (1997: charge of £523,000) – see note 4)		(47,607)	(1,487,261)
		<u>(1,828,232)</u>	<u>(3,959,540)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	588,956	(1,712,774)
Tax on profit/(loss) on ordinary activities	7	(32,619)	260,986
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	13	556,337	(1,451,788)
Dividends	8	1,800,000	-
RETAINED LOSS FOR THE FINANCIAL YEAR	14	<u>(1,243,663)</u>	<u>(1,451,788)</u>

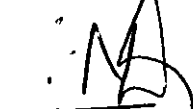
There are no recognised gains or losses for the current financial year and the preceding financial period other than as stated in the profit and loss account. Accordingly a statement of total recognised gains and losses is not presented.

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

BALANCE SHEET **31 December 1998**

	Note	1998 £	1997 £
FIXED ASSETS			
Tangible assets	9	241,653	460,394
CURRENT ASSETS			
Stocks and work in progress	10	945,464	1,340,710
Debtors	11	2,028,211	2,528,110
Cash at bank and in hand		1,907	5,950
		2,975,582	3,874,770
CREDITORS: amounts falling due within one year	12	(3,191,198)	(3,065,464)
NET CURRENT (LIABILITIES)/ASSETS		(215,616)	809,306
TOTAL ASSETS LESS CURRENT LIABILITIES		26,037	1,269,700
TOTAL NET ASSETS		26,037	1,269,700
CAPITAL AND RESERVES			
Called up share capital	13	500	500
Capital contribution	14	-	4,500,000
Profit and loss account	14	25,537	(3,230,800)
TOTAL EQUITY SHAREHOLDERS' FUNDS		26,037	1,269,700

These financial statements were approved by the Board of Directors on 30 June 1999



E NAOUR

Director



D W GUTHRIE

Director

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1998

1. ACCOUNTING POLICIES

Basis of preparation

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

Accounting convention

The financial statements are prepared under the historical cost convention.

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 of Dalkia plc, 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:

Leasehold improvements	10% per annum
Plant and equipment	20% per annum
Computer and office equipment	10% to 33 1/3% per annum
Private vehicles	33 1/3% per annum
Commercial vehicles	20% per annum

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 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 tax will arise.

Leases

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

Pensions

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

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1998

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 losses are attributable to one activity, the installation and maintenance of lighting and electrical equipment, and are derived entirely within the United Kingdom.

3. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging/(crediting):

	1998 £	1997 £
Auditors' remuneration		
Audit fees	4,000	3,350
Other services	-	650
Depreciation of owned assets	275,852	385,650
Exceptional items (note 4)	(461,000)	761,000
Operating lease rentals - land and buildings	144,785	156,738
- other	72,568	60,985
Profit on sale of fixed assets	(25,655)	(11,114)
	<u> </u>	<u> </u>

4. EXCEPTIONAL ITEMS

During 1997 the company gave notice on two of its main contracts and made provisions against the value of related assets. Certain of these provisions were released in 1998, as follows:

	1998 £	1997 £
Stocks and work in progress	(50,000)	100,000
Fixed assets	(138,000)	138,000
Trade debtors	(273,000)	523,000
	<u> </u>	<u> </u>
	(461,000)	761,000
	<u> </u>	<u> </u>

5. DIRECTORS' REMUNERATION

	1998 £	1997 £
Emoluments (excluding pension contributions)	-	12,956
	<u> </u>	<u> </u>
Number of directors who:		
Are members of a defined benefit scheme	-	2
	<u> </u>	<u> </u>

Directors' remuneration in 1998 has been borne by the parent company.

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 1998

6. STAFF COSTS

	1998 £	1997 £
Wages and salaries	1,513,119	1,766,297
Social security costs	145,555	168,079
Other pension costs	9,754	14,253
	<u>1,668,428</u>	<u>1,948,629</u>

The average number of employees during the year, including directors, was as follows:

	No.	No.
Management	2	1
Administration	26	27
Operations	54	70
	<u>82</u>	<u>98</u>

7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The tax credit is made up as follows:

	1998 £	1997 £
Corporation tax payable at 31%	1,000	-
Group relief receivable at 31% (1997: 31.49%)	-	(260,000)
Adjustments in respect of prior years:		
Corporation tax	31,619	(986)
	<u>32,619</u>	<u>(260,986)</u>

8. DIVIDENDS

	1998 £	1997 £
Interim paid £3,600 per ordinary share (1997-nil)	<u>1,800,000</u>	<u>-</u>

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 1998

9. TANGIBLE FIXED ASSETS

	Short leasehold improve- ments £	Plant and machinery £	Computer and office equipment £	Motor vehicles £	Total £
Cost					
At 1 January 1998	45,695	112,532	187,138	1,634,947	1,980,312
Additions	-	21,886	3,558	2,253	27,697
Disposals	(9,269)	(7,981)	(22,774)	(465,394)	(505,418)
At 31 December 1998	36,426	126,437	167,922	1,171,806	1,502,591
Depreciation					
At 1 January 1998	45,266	79,881	151,053	1,243,718	1,519,918
Charge for the year	8,901	24,650	18,314	223,987	275,852
Release of provision for impairment (note 4)	(26,000)	-	-	(112,000)	(138,000)
Disposals	(4,194)	(6,463)	(19,554)	(366,621)	(396,832)
At 31 December 1998	23,973	98,068	149,813	989,084	1,260,938
Net book value					
At 31 December 1998	12,453	28,369	18,109	182,722	241,653
At 31 December 1997	429	32,651	36,085	391,229	460,394

10. STOCKS AND WORK IN PROGRESS

	1998 £	1997 £
Raw materials	304,186	471,884
Work in progress	641,278	868,826
	945,464	1,340,710

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1998

11. DEBTORS

	1998 £	1997 £
Trade debtors	514,623	1,030,366
Amounts owed by parent company	1,438,723	1,138,723
Amounts owed by fellow subsidiary undertaking	36,263	18,540
Taxation - group relief	-	271,874
Other debtors	2,700	26,500
Prepayments	35,902	42,107
	<u>2,028,211</u>	<u>2,528,110</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Bank overdraft	718,300	2,275,500
Trade creditors	301,220	426,232
Amounts owed to group undertakings	1,800,000	735
Corporation tax	1,000	-
Tax and social security	162,635	125,969
Other creditors	150,533	193,643
Accruals and deferred income	57,510	43,385
	<u>3,191,198</u>	<u>3,065,464</u>

The intercompany loan was advanced to the company during the year by its parent company, Parkersell Limited, following payment of the interim dividend. The loan is interest free and repayable on demand.

13. SHARE CAPITAL

	1998 £	1997 £
Authorised:		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid:		
500 ordinary shares of £1 each	<u>500</u>	<u>500</u>

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 1998

14. RESERVES

	Capital contribution £	Profit and loss account £	Total £
Balance at 1 January 1998	4,500,000	(3,230,800)	1,269,200
Loss for the financial year	-	(1,243,663)	(1,243,663)
Transfer	(4,500,000)	4,500,000	-
	<u>-</u>	<u>25,537</u>	<u>25,537</u>
Balance at 31 December 1998	<u>-</u>	<u>25,537</u>	<u>25,537</u>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit/(loss) for the financial year	556,337	(1,451,788)
Dividends	(1,800,000)	-
	<u>(1,243,663)</u>	<u>(1,451,788)</u>
Net reduction in shareholders' funds	(1,243,663)	(1,451,788)
Opening shareholders' funds	1,269,700	2,721,488
	<u>26,037</u>	<u>1,269,700</u>
Closing shareholders' funds	<u>26,037</u>	<u>1,269,700</u>

16. CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 1998 or 31 December 1997.

17. PENSION COMMITMENTS

The company is a participating employer in the Dalkia Group Pension Scheme (formerly ETS Group Pension Scheme); the assets of the scheme are held separately from that of the company. The total cost of retirement benefits for the company was £9,754 (1997: £14,253). The scheme is separately funded and provides defined benefits that are computed based on an employee's years of service and final pensionable salary. 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. Particulars of the most recent actuarial valuation of the scheme as at 1 April 1995 are included within the accounts of Dalkia plc (formerly Energy and Technical Services Group plc).

PARKERSELL HIGHWAY LIGHTING SERVICES LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 December 1998

18. OTHER FINANCIAL COMMITMENTS

At the financial year end the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	1998	1997	1998	1997
	£	£	£	£
Operating leases which expire:				
within one year	40,157	51,191	20,741	-
between two and five years	36,545	46,420	17,405	67,724
	<u>76,702</u>	<u>97,611</u>	<u>38,146</u>	<u>67,724</u>

19. CONTINGENT LIABILITIES

On 10 January 1994 the company entered into an agreement with its ultimate UK parent company Dalkia Plc (formerly Energy and Technical Services Group 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. The Group has an unsecured overdraft facility of £5 million.

At the year end the company has issued general performance bonds to customers amounting to £30,000.

20. ULTIMATE PARENT UNDERTAKING

The parent undertaking is Parkersell Limited, a company incorporated in Great Britain and registered in England and Wales. The UK ultimate parent undertaking is Dalkia Plc (formerly Energy and Technical Services Group plc) and the ultimate parent undertaking is Vivendi (formerly Compagnie Générale des Eaux), a company incorporated in France. These are the smallest and largest undertakings for which group accounts are drawn up. Copies of the group accounts are available from:

Parkersell Limited
Parkersell House
Cranworth Road
Winchester
Hampshire
SO22 6SQ

Vivendi
42 Avenue de Friedland
75380 Paris
France