

COFATHEC HEATSAVE LIMITED

Annual report

for the year ended 31 December 2004



COFATHEC HEATSAVE LIMITED

Annual report for the year ended 31 December 2004

Registered no: 1382270

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COFATHEC HEATSAVE LIMITED

Directors' report for the year ended 31 December 2004

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

Principal activity

The principal activity of the company is the provision of energy management and building maintenance services.

Review of business

Trading Results and Outlook

The company continued its growth trend with a 14% increase in turnover during the year, taking it above £50 million for the first time. This is in line with its strategy of becoming a leading provider of energy and building services to the market. The company was successful in securing a number of new high - value contracts which will firmly establish it as a leading company in the business in the United Kingdom.

With the continued backing of its parent company, the company will continue to expand in 2005.

Dividends and transfers to reserves

No final dividend was declared for the year (2003 - £nil). The loss for the financial year will be transferred to the company's reserves.

COFATHEC HEATSAVE LIMITED

Directors

The directors of the company served throughout the year, except as noted below:

B Cochet (resigned 31/1/2005)

R I Derry

N L Gavin (resigned 17/9/2004)

R Cosson

B Leblanc

J-C Marouby (resigned 1/1/2004)

F Guilhamon (appointed 9/1/2004)

F Deparisot (appointed 17/9/2004)

The directors had no interests in the shares of the company or any other group company as at 31 December 2004 (2003 – nil).

Employment policy

It is company policy to ensure equal opportunity for employment of disabled people and ethnic minorities. Wherever possible the employment of members of staff who become disabled will be continued and appropriate training and career development will be offered.

Consultation with employees is held at all levels, with the aim of ensuring that their views are taken into account when decisions are made which are likely to affect their interest and that all employees are aware of the financial and economic performance of their business units and of the company as a whole.

Auditors

A resolution to appoint Ernst & Young will be proposed at the forthcoming Annual General Meeting.

COFATHEC HEATSAVE LIMITED

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year that 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.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed. In addition they confirm that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records that 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 the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



J E Dart
Company Secretary

.....6/2/2006

Report of the independent auditors to the members of COFATHEC HEATSAVE LIMITED

We have audited the financial statements of Cofathec Heatsave Limited for year ended 31 December 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 23. 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 auditors' 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

As described in the statement of directors responsibilities, the directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

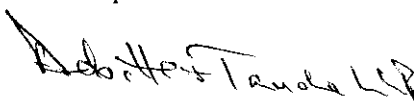
Basis of audit opinion

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 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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
..... 2006

COFATHEC HEATSAVE LIMITED

Profit and loss account for the year ended 31 December 2004

	Notes	2004 £'000	2003 £'000
Turnover	1,2	52,893	46,540
Cost of sales		<u>(48,643)</u>	<u>(42,369)</u>
Gross profit		4,250	4,171
Administration expenses		<u>(4,194)</u>	<u>(3,711)</u>
Operating profit		56	460
Interest receivable and similar income	6	116	12
Interest payable and similar charges	7	<u>(142)</u>	<u>(53)</u>
Profit on ordinary activities before taxation	8	30	419
Tax charge on profit on ordinary activities	9	<u>(79)</u>	<u>(119)</u>
(Loss)/profit on ordinary activities after taxation		<u>(49)</u>	<u>300</u>
Retained (loss)/profit for the year	19	<u>(49)</u>	<u>300</u>

The above figures all derive from continuing operations.

The company has no recognised gains or losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year as stated above, and their historical cost equivalents.

COFATHEC HEATSAVE LIMITED

Balance sheet at 31 December 2004

	Notes	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	10	1,314	1,007
Investment in subsidiaries	11	1,983	1,983
		<u>3,297</u>	<u>2,990</u>
Current assets			
Stocks and WIP	12	1,801	45
Debtors	13	17,165	15,554
Cash at bank and in hand		67	2,009
		<u>19,033</u>	<u>17,608</u>
Creditors: amounts falling due within one year	14	<u>(15,791)</u>	<u>(15,902)</u>
Net current assets		<u>3,242</u>	<u>1,706</u>
Total assets less current liabilities		<u>6,539</u>	<u>4,696</u>
 Creditors: amounts falling due after more than one year	15	 (2,029)	 (138)
 Provisions for liabilities and charges	16,17	 (41)	 (40)
Net assets		<u>4,469</u>	<u>4,518</u>
 Capital and reserves			
Called up share capital	18	2,386	2,386
Share premium account	19	82	82
Capital redemption reserve	19	2	2
Profit and loss account	19	1,999	2,048
Equity shareholders' funds	20	<u>4,469</u>	<u>4,518</u>

The financial statements on pages 5 to 17 were approved by the board of directors on
6/3/2006 and were signed on its behalf by:



R I Derry
Chief Executive

COFATHEC HEATSAVE LIMITED

Notes to the financial statements for the year ended 31 December 2004

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable law and Accounting Standards in the United Kingdom. The particular accounting policies adopted are set out below. They have been applied consistently throughout the current year and the preceding year.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold buildings	2
Motor vehicles	25
Office equipment	20
Plant and equipment	20

Leasehold improvements are written off over the length of the lease.

Fixed asset investments

Fixed asset investments are shown at cost less provision for impairment.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

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Stocks and WIP

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first - in first - out basis. Provision is made, where necessary, for obsolete and defective stocks. WIP represents one asset in the course of construction (for which Cofathec Heatsave will be the finance lessor) which is not fully operational at the year end.

Consolidation

The company has taken advantage of Section 228 of the Companies Act 1985 to not prepare consolidated accounts as the results of the company and its subsidiary are included within the financial statements of Gaz de France.

Cash flow

The Company has taken advantage of the provisions of FRS 1 to not prepare a cash flow statement as its cash flow is included in the consolidated financial statements of Gaz de France.

Set-up costs

Expenditure that is directly attributable to set-up costs for major fixed - term contracts is carried forward as a prepayment, if the contract has been signed. These costs are written off over the life of the contract, generally two to three years, or to the extent that they exceed the expected future profits from the contract.

Turnover

Where the company has contracts which require the performance of a service which extends beyond the company's year end, revenue is recognised and a debtor created to reflect the proportion of the service completed at the year end.

Pension scheme arrangements

The company operates a defined contribution pension scheme. Pension costs are charged to the profit and loss account in the period in which they fall due. The pension benefit arising from these contributions is not specified or guaranteed by the company.

The company provides no other post - retirement benefits to its employees.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

COFATHEC HEATSAVE LIMITED

2 Turnover

Turnover consists entirely of sales made in the United Kingdom and in the opinion of the directors derives solely from the principal activity of the company.

3 Directors' emoluments

	2004 £'000	2003 £'000
Other emoluments (including benefits in kind)	123	95
Pension costs	7	5
	<u>130</u>	<u>100</u>

Retirement benefits are accruing to one (2003: one) director under the money purchase scheme.

Fees and other emoluments include amounts payable to:

	2004 £'000	2003 £'000
The highest paid director:		
Emoluments	103	95
Pension costs	5	5
	<u>108</u>	<u>100</u>

Certain directors who served in the year were executives of Cofathec SAS, (the immediate parent company), Gaz de France (ultimate parent company) or other Gaz de France UK companies and were remunerated for their services by those companies, with the relevant disclosures shown in those accounts. They did not receive remuneration for their services as Directors of the Company (2003 - £ nil) and it is not practical to allocate emoluments for other services.

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4 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:

	2004 Number	2003 Number
By activity		
Operations	567	483
Selling	8	8
Administration	75	49
	<u>650</u>	<u>540</u>

	2004 £'000	2003 £'000
Staff costs - all employees including executive directors		
Wages and salaries	17,307	14,434
Social security costs	1,809	1,420
Other pension costs (see note 5)	293	265
	<u>19,409</u>	<u>16,119</u>

5 Pensions

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Pension costs, representing contributions payable by the company to this scheme, amounted to £293,000 (2003: £265,000). Outstanding contributions as at 31 December 2004 totalled £48,284 (2003: £31,581).

6 Interest receivable and similar income

	2004 £'000	2003 £'000
Bank interest receivable	<u>116</u>	<u>13</u>

7 Interest payable and similar charges

	2004 £'000	2003 £'000
Bank overdraft interest payable	132	42
Bank loan interest payable	10	11
	<u>142</u>	<u>53</u>

COFATHEC HEATSAVE LIMITED

8 Profit on ordinary activities before taxation

	2004	2003
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets		
Owned assets	240	148
Leased assets	58	200
Auditors' remuneration for audit services	26	11
Hire of other assets - operating leases	25	25
Leasehold property – operating leases	304	301
Profit on disposal of tangible fixed assets	<u>(23)</u>	<u>(1)</u>

The auditors received no remuneration (2003: £nil) in respect of non-audit services during the year.

COFATHEC HEATSAVE LIMITED

9 Tax charge on profit/(loss) on ordinary activities

	2004 £'000	2003 £'000
Current taxation:		
UK corporation tax at 30% (2003 – 30%)	-	(149)
(Under)/overprovision in prior years	-	(2)
Deferred taxation		
Timing differences, origination and reversal	(78)	32
Adjustment in respect of prior years	(1)	
	<u>(79)</u>	<u>(119)</u>

The standard rate of current tax for the year, based on the main UK rate of corporation tax, is 30% (2003: 30%). A reconciliation of the notional current tax charge based on the standard rate to the actual current tax charge is as follows:

	2004 £'000	2003 £'000
Profit on ordinary activities before tax	30	419
Tax at standard rate	9	126
Non tax deductible expenses	48	18
Movement in short term timing differences	26	(23)
Capital allowances in excess of depreciation	(88)	28
Other deferred tax movements	5	-
	<u>-</u>	<u>149</u>

10 Tangible fixed assets

	Freehold land and buildings £'000	Leasehold premises £'000	Plant and equipment £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost						
At 1 January 2004	222	328	112	640	1,272	2,574
Additions	67	39	9	-	490	605
Disposals	-	(5)	(51)	(138)	(231)	(425)
At 31 December 2004	<u>289</u>	<u>362</u>	<u>70</u>	<u>502</u>	<u>1,531</u>	<u>2,754</u>
Depreciation						
At 1 January 2004	23	147	82	636	677	1,565
Charge for year	6	58	13	3	218	298
Disposals	-	(2)	(52)	(137)	(232)	(423)
At 31 December 2004	<u>29</u>	<u>203</u>	<u>43</u>	<u>502</u>	<u>663</u>	<u>1,440</u>
Net book value						
At 31 December 2004	<u>260</u>	<u>159</u>	<u>27</u>	<u>-</u>	<u>868</u>	<u>1,314</u>
At 31 December 2003	<u>199</u>	<u>181</u>	<u>30</u>	<u>4</u>	<u>594</u>	<u>1,008</u>

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10 Tangible fixed assets continued

The net book value of tangible fixed assets includes an amount of £nil (2003: £nil) in respect of assets held under finance leases and hire purchase contracts.

The net book value of land and buildings comprises:

	2004 £'000	2003 £'000
Freehold properties	259	203
Short leaseholds	159	75
	<u>418</u>	<u>278</u>

11 Investments

	2004 £'000	2003 £'000
Airtherm Limited	614	614
Cofathec Energy PFI Limited	1,369	1,369
	<u>1,983</u>	<u>1,983</u>

	£'000
Cost	
As at 1 January 2004	1,983
Additions	-
As at 31 December 2004	<u>1,983</u>

Provisions for impairment

As at 1 January 2004 and as at 31 December 2004	<u>-</u>
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The company owns all the equity share capital of Airtherm Limited and Cofathec Energy PFI Limited, both of which are incorporated in Great Britain.

Subsidiary	Activity
Airtherm Limited	Dormant
Cofathec Energy PFI Limited	Provision of heat energy management services to nine prisons under the Government's Private Finance Initiative.

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12 Stocks and work in progress

	2004	2003
	£'000	£'000
Stock of oil	14	14
Consumables	31	31
Work in progress	1,756	-
	<u>1,801</u>	<u>45</u>

13 Debtors

	2004	2003
	£'000	£'000
Amounts falling due within one year		
Trade debtors	14,529	11,840
Amounts owed by group undertakings	545	112
Deferred tax asset	-	78
Other debtors	183	54
Prepayments and accrued income	1,908	3,470
	<u>17,165</u>	<u>15,554</u>

14 Creditors: amounts falling due within one year

	2004	2003
	£'000	£'000
Bank overdraft	3,588	4,885
Bank loan	190	-
Trade creditors	4,682	4,382
Amounts due to group undertakings	2,648	2,841
Corporation tax payable	145	159
Social security and other taxation	654	645
Other creditors	1,366	791
Accruals	1,759	1,652
Deferred income	759	547
	<u>15,791</u>	<u>15,902</u>

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15 Creditors: amounts falling due after more than one year

	2004	2003
	£'000	£'000
Bank loan	2,029	138
	<u>2,029</u>	<u>138</u>

	2004	2003
	£'000	£'000
Bank loan		
Less than one year	190	15
Between one and two years	203	16
Between two and five years	697	58
Over five years	1,129	49
	<u>2,219</u>	<u>138</u>

The bank loan is repayable by monthly instalments and carries interest at 1.75% above the bank's base rate.

The bank loan is secured by a fixed charge over the company's land and buildings and by a fixed and floating charge over all the assets of the company.

16 Provisions for liabilities and charges

	Replacement guarantee provision
	£'000
At 1 January 2004 and at 31 December 2004	<u>40</u>

COFATHEC HEATSAVE LIMITED

17 Deferred taxation

	2004 £'000	2003 £'000
Deferred tax (liability)/asset	<u>(1)</u>	<u>78</u>
Opening balance	78	46
(Debit)/credit to profit and loss account	<u>(79)</u>	<u>32</u>
Closing balance	<u>(1)</u>	<u>78</u>

The amount of deferred tax provided is as follows:

	2004 £'000	2003 £'000
Deferred tax (liability)/asset		
Short term timing differences	81	42
Capital allowances	<u>(82)</u>	<u>36</u>
Total	<u>(1)</u>	<u>78</u>

Unprovided deferred tax as at 31 December 2004 totalled £69,000 (2003 - £nil).

18 Called up share capital

	Ordinary shares of £1 each		'B' Ordinary shares of £1 each		Total	
	2004	2003	2004	2003	2004	2003
	£	£	£	£	£	£
Authorised						
- value	<u>£2,362,000</u>	<u>£2,362,000</u>	<u>£27,000</u>	<u>£27,000</u>	<u>£2,389,000</u>	<u>£2,389,000</u>
- number	<u>2,362,000</u>	<u>2,362,000</u>	<u>27,000</u>	<u>27,000</u>	<u>2,389,000</u>	<u>2,389,000</u>
Allotted, called up and fully paid						
- value	<u>£2,359,500</u>	<u>£2,359,500</u>	<u>£27,000</u>	<u>£27,000</u>	<u>£2,386,500</u>	<u>£2,386,500</u>
- number	<u>2,359,500</u>	<u>2,359,500</u>	<u>27,000</u>	<u>27,000</u>	<u>2,386,500</u>	<u>2,386,500</u>

The ordinary shares and the 'B' ordinary shares have equal voting rights per share, equal rights to dividend and equal rights to return of capital on winding up, as if they were constituted as one class of share capital.

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19 Share premium account and reserves

	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total Reserves £'000
At 1 January 2004	82	2	2,048	2,132
Loss for the year	-	-	(49)	(49)
At 31 December 2004	<u>82</u>	<u>2</u>	<u>1,999</u>	<u>2,083</u>

20 Reconciliation of movements in equity shareholders' funds

	2004 £'000	2003 £'000
Loss for the financial year	(49)	300
Opening equity shareholders' funds	4,518	4,218
Closing equity shareholders' funds	<u>4,469</u>	<u>4,518</u>

21 Contingent liabilities and financial commitments

At 31 December 2004 the company had annual commitments in respect of leasehold buildings, under non-cancellable operating leases as follows:

	2004 £'000	2003 £'000
Expiring within one year	-	-
Expiring between one and five years	143	143
Expiring in over five years	130	130
	<u>273</u>	<u>273</u>

22 Ultimate Parent Company

The company considers that Gaz de France (registered in France) is the ultimate parent company. The immediate parent company is Cofathec S.A (registered in France). The parent company of the smallest and largest group which prepares group financial statements and includes the results of Cofathec Heatsave Limited is Gaz de France. Copies of the financial statements thereof can be obtained from: -

Gaz de France
23 rue Philibert Delorme
75840 Paris Cedex 17
France

23 Related Party Disclosures

The company has taken advantage of the exemption granted under paragraph 3(c) of FRS8, 'Related Party Disclosures', not to disclose transactions with other group entities.