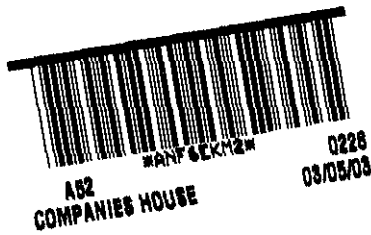


COMPANY NO: 906936

DALKIA ENERGY & TECHNICAL SERVICES LIMITED

ANNUAL REPORT

Year ended 31 December 2002



Contents

	Page
Company Information	1
Report Of The Directors	2
Independent Auditors' Report	4
Profit And Loss Account	5
Balance Sheet	6
Notes To The Financial Statements	7

Contents

	Page
Company Information	1
Report Of The Directors	2
Independent Auditors' Report	4
Profit And Loss Account	5
Balance Sheet	6
Notes To The Financial Statements	7

Company Information

Directors	L Bermejo G Carter T Clément D Gill M Holt J Roberts C Turner A Wade J Winterbottom R Wood
Secretary	E Gosden
Registered office	Elizabeth House 56 – 60 London Road Staines Middlesex TW18 4BQ
Registered number	906936
Auditors	RSM Robson Rhodes Chartered Accountants 186 City Road London EC1V 2NU
Bankers	National Westminster Bank Plc 130 Commercial Road Portsmouth Hampshire PO1 1ES
Solicitors	Bristows Cooke & Carpmael 10 Lincoln's Inn Fields London WC2A 3BP

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31 December 2002.

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 business developments

As anticipated last year, 2002 has been a year of consolidation and building upon a number of strategic relationships. The effect of this has been to generate total revenue growth of 4.2% over 2001. More importantly, the turnover of core service contracts has grown by 12.6% over 2001. Additionally, further improvements in business productivity and efficiency have contributed towards operating profit growth of 27% over prior year.

An important factor in this improvement has been the introduction of the "Dalkia Way" - the practical way of delivering the Company's Vision and Mission. This programme begins with a comprehensive and structured induction that creates a benchmark for consistency and professionalism amongst our people, thus ensuring high standards of customer service for our clients.

In 2003 we anticipate continued growth resulting from further development of our strategic relationships, ongoing improvements in business efficiency and focused market initiatives.

Directors and their interests

The present membership of the board is set out on page 1. All Directors served throughout the period except as follows. Mr. Thomas Michael Blanco resigned on 11 February 2002, Mr. Ken Roberts resigned on 4 April 2003. Mrs. Gillian Carter was appointed on 14 October 2002, Mr. Jeffrey Winterbottom was appointed on 4 February 2003 and Mr. Clive Turner was appointed on 17 March 2003. None of these directors has an interest in the shares of the Company or other Group Company.

Results and dividend

The profit for the period after taxation amounted to £3,974,000 (2001: £2,773,000). The directors do not propose a dividend (2001: £0.41 per share). An adjustment of £92,000 has been made in the year relating to part of the dividend proposed in 2001 which was not subsequently paid.

Environment

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

Health and safety

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

Disabled personnel

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

Report of the Directors

(Continued)

Employee involvement and equal opportunities

Employee involvement and consultation is developed through regular formal meetings and informal channels. The company is an equal opportunity employer, and makes no discrimination on the grounds of race, sex or religion in recruitment or career development.

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 2002 were 27 days (2001: 31 days).

Statement of directors' responsibilities for the Annual Report

Company law in the United Kingdom requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

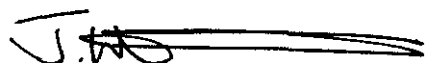
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

Auditors

The auditors, RSM Robson Rhodes, have expressed their willingness to continue in office, and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

The report of the directors was approved by the Board on 14 April 2003 and signed on its behalf by:



Jeff Winterbottom
Managing Director

Independent Auditors' Report To The Shareholders Of Dalkia Energy & Technical Services Limited

We have audited the financial statements on pages 5 to 16.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion:

- the Directors' Report is not consistent with the financial statements;
- if the Company has not kept proper accounting records;
- if we have not received all the information and explanations we require for our audit;
- or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the 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 United Kingdom Accounting 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 information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



RSM Robson Rhodes
Chartered Accountants and Registered Auditors

London, England
14 April 2003

Profit And Loss Account
for the year ended 31 December 2002

	Note	2002 £ '000	2001 £ '000
Turnover – continuing operations	2	127,554	122,454
Cost of sales		<u>(103,572)</u>	<u>(100,082)</u>
Gross profit		23,982	22,372
Administrative expenses		<u>(18,080)</u>	<u>(17,737)</u>
Operating profit – continuing operations	5	5,902	4,635
Interest receivable and similar income	6	<u>83</u>	<u>115</u>
Profit on ordinary activities before taxation		5,985	4,750
Tax on profit on ordinary activities	7	<u>(2,011)</u>	<u>(1,977)</u>
Profit for the financial period		3,974	2,773
Dividends	8	<u>92</u>	<u>(2,773)</u>
Retained profit for the financial period		4,066	-
Retained profit brought forward		<u>857</u>	<u>857</u>
Retained profit carried forward		<u><u>4,923</u></u>	<u><u>857</u></u>

There were no recognised gains or losses other than as stated above.

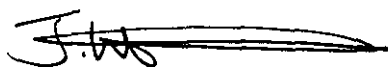
Balance Sheet

at 31 December 2002

	Note	2002 £ '000	2001 £ '000
Fixed assets			
Intangible assets	9	744	878
Tangible assets	10	3,345	3,120
Investments	11	<u>3,027</u>	<u>3,027</u>
		<u>7,116</u>	<u>7,025</u>
Current assets			
Stocks and work in progress	12	1,755	3,071
Debtors: amounts falling due after one year	13	497	620
Debtors: amounts falling due within one year	13	26,828	26,469
Cash at bank and in hand	14	<u>2,251</u>	<u>673</u>
		<u>31,331</u>	<u>30,833</u>
Creditors: Amounts falling due within one year	15	<u>(25,734)</u>	<u>(29,398)</u>
Net current assets		<u>5,597</u>	<u>1,435</u>
Total assets less current liabilities		12,713	8,460
Provision for liabilities and charges	16	<u>(1,090)</u>	<u>(903)</u>
Total net assets		<u>11,623</u>	<u>7,557</u>
Capital and reserves			
Called up equity share capital	17	6,700	6,700
Profit and loss account		<u>4,923</u>	<u>857</u>
Total equity shareholders' funds	18	<u>11,623</u>	<u>7,557</u>

These financial statements were approved by the Board of Directors on 14 April 2003.

Signed on behalf of the Board of Directors:



Jeff Winterbottom
Managing Director

Notes To The Financial Statements

31 December 2002

1. ACCOUNTING POLICIES

Basis of accounting

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

Accounting convention

The financial statements are prepared under the historical cost convention.

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.

Tangible fixed assets and depreciation

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

Where there is evidence of impairment to carrying values, fixed assets are written down to their recoverable amount.

Intangible fixed assets

Goodwill arising represents any difference between the cost of acquisition and the fair value of the net assets acquired. The difference is capitalised as goodwill and written off on a straight-line basis over the shorter of estimated useful economic life or 20 years.

Investments

Investments are included at cost less any provision for impairment.

Stocks and work in progress

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

Leases

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

Assets leased to third parties

For assets leased to third parties under finance leases, the income from finance charges is allocated to accounting periods so as to give a constant rate of return on the net cash investment in the lease. The net investment in finance leases included in debtors represents total lease payments receivable, net of finance charges relating to future accounting periods.

Notes To The Financial Statements

31 December 2002

(Continued)

1. ACCOUNTING POLICIES (Continued)

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by FRS 19.

In accordance with FRS 19 deferred tax is not provided for:

- a) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date;
- b) gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over;
- c) extra tax payable if the overseas retained profits of subsidiaries and associates are remitted in future; and
- d) fair value adjustment gains to fixed assets and stock to uplift prices to those ruling when an acquisition is made.

Pension

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

Plant replacement fund

Receipts from customers relating to contracts where the company is responsible for the repair or replacement of specified plant are classified as payments on account to the extent that they are not matched with work performed. Expenditure, when incurred, is charged to cost of sales and an appropriate level of income is recognised at this point, with the corresponding amount recoverable on the contract offsetting the payment on account. Provision is made for all foreseeable losses under these contracts.

Cash flow

Under the provisions of FRS 1, the Company is exempt from producing a cash flow statement since it is a wholly owned subsidiary of an EC company that produces a consolidated cash flow statement.

2. TURNOVER

The turnover and operating profit are derived entirely within the UK and are attributable to three main business activities: energy management services, outsourced managed services and multi-technical services.

The analysis of turnover by activity is as follows:

	2002 £ '000	2001 £ '000
Energy management services	15,832	12,891
Outsourced managed services	17,867	19,273
Multi-technical services	93,855	90,290
	<u>127,554</u>	<u>122,454</u>

Notes To The Financial Statements**31 December 2002**

(Continued)

3. DIRECTORS' REMUNERATION

	2002 £ '000	2001 £ '000
Directors' emoluments		
Emoluments (excluding pension contributions)	<u>766</u>	<u>777</u>
	No.	No.
Number of directors who are members of a defined benefit scheme	<u>6</u>	<u>7</u>
	2002 £ '000	2001 £ '000
Highest paid director's remuneration:		
Emoluments (excluding pension contributions)	<u>143</u>	<u>182</u>

The amount of accrued pension of the highest paid director at 31 December 2002 was £40,918 (2001: £36,036) and an accrued lump sum of £nil (2001: £nil).

4. STAFF COSTS

	2002 £ '000	2001 £ '000
Wages and salaries	37,003	34,135
Social security costs	3,274	3,143
Other pension costs (note 21)	<u>930</u>	<u>820</u>
	<u>41,207</u>	<u>38,098</u>

The average number of employees during the year, including directors, was 1,429 (2001: 1,342). All employees were engaged in the principal activities of the business.

5. OPERATING PROFIT

	2002 £ '000	2001 £ '000
This is stated after charging/(crediting):		
Depreciation of tangible fixed assets	806	734
Amortisation of intangible fixed assets	134	134
(Profit) on disposal of tangible fixed assets	<u>-</u>	<u>(1)</u>
Auditor's remuneration		
- Audit fees	42	44
- Other services	<u>-</u>	<u>31</u>
Operating lease rentals		
- Land and buildings	503	523
- Plant and machinery	<u>3,374</u>	<u>3,211</u>

Notes To The Financial Statements

31 December 2002

(Continued)

6. INTEREST RECEIVABLE

	2002 £ '000	2001 £ '000
Other interest receivable	83	115

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £ '000	2001 £ '000
Corporation Tax		
UK Corporation Tax at 30% (2001: 30%)	1,911	1,454
Under provision in prior year	-	-
Total current tax	1,911	1,454
Deferred Tax		
- origination and reversal of timing differences	100	87
- amount under-provided in prior periods	-	436
Taxation charge for the year	2,011	1,977

Current tax reconciliation	2002 £ '000	2001 £ '000
Profit on ordinary activities before taxation	5,985	4,750
Corporation tax at 30% (2001: 30%)	1,796	1,425
Effect of:		
Expenses not deductible for tax purposes	123	78
Capital allowances in excess of depreciation	(8)	(19)
Other short term timing differences	-	(30)
Adjustments in respect of previous periods	-	-
Current tax charge for the period	1,911	1,454

8. DIVIDENDS

	2002 £ '000	2001 £ '000
Dividend adjustment re previous year of £0.01 per share	(92)	-
Dividend proposed of £nil (2001: £0.41) per share	-	2,773
	(92)	2,773

Notes To The Financial Statements

31 December 2002

(Continued)

9. INTANGIBLE FIXED ASSETS

	Purchased Goodwill £ '000
Cost	
At 1 January 2002 and 31 December 2002	<u>2,589</u>
Amortisation	
At 1 January 2002	(1,711)
Charge for the year	<u>(134)</u>
At 31 December 2002	<u>(1,845)</u>
Net book value	
At 31 December 2002	<u>744</u>
At 31 December 2001	<u>878</u>

Notes To The Financial Statements

31 December 2002
(Continued)

10. TANGIBLE FIXED ASSETS

	Freehold property £ '000	Plant £ '000	Office equipment, fixtures and fittings £ '000	Plant at clients' premises £ '000	Leasehold improvements £ '000	Total £'000
Cost or valuation						
At 1 January 2002	381	396	947	4,507	255	6,486
Additions	-	13	1,164	36	149	1,362
Disposals	-	(250)	(409)	(538)	-	(1,197)
At 31 December 2002	381	159	1,702	4,005	404	6,651
Depreciation						
At 1 January 2002	234	314	218	2,583	17	3,366
Charge in year	3	53	332	367	51	806
Disposals	-	(250)	(78)	(538)	-	(866)
At 31 December 2002	237	117	472	2,412	68	3,306
Net book value						
At 31 December 2002	144	42	1,230	1,593	336	3,345
At 31 December 2001	147	82	729	1,924	238	3,120

Notes To The Financial Statements

31 December 2002

(Continued)

11. FIXED ASSETS INVESTMENTS

	2002 £ '000	2001 £ '000
Cost and net book value		
At 1 January and 31 December 2002	<u>3,027</u>	<u>3,027</u>

The investment relates to 100% of the issued share capital of Dalkia Technical Services Limited acquired from its parent company Dalkia Plc in January 2000.

12. STOCKS AND WORK IN PROGRESS

	2002 £ '000	2001 £ '000
Raw materials and consumables	95	164
Contract work in progress	<u>1,660</u>	<u>2,907</u>
	<u>1,755</u>	<u>3,071</u>

13. DEBTORS

	2002 £ '000	2001 £ '000
Amounts falling due within one year		
Trade debtors	18,245	18,960
Amounts recoverable on contracts	1,313	1,466
Amounts owed by group companies	134	119
Finance lease debtors	105	98
Other debtors	1,185	260
Prepayments and accrued income	<u>5,846</u>	<u>5,566</u>
	<u>26,828</u>	<u>26,469</u>
Amounts falling due after more than one year		
Finance lease debtors	437	541
Other debtors	<u>60</u>	<u>79</u>
	<u>497</u>	<u>620</u>

The aggregate rental income receivable during the year on finance leases was £48,525 (2001: £55,527). The original cost of assets existing for the purposes of letting under finance leases was £997,000 (2001: £997,000).

14. CASH AT BANK AND IN HAND

Cash at bank includes an amount of £36,420 (31 December 2001: £186,736) held in trust accounts. This amount is to be used in settling specific balances within the plant replacement fund.

Notes To The Financial Statements

31 December 2002

(Continued)

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £ '000	2001 £ '000
Amounts falling due within one year		
Trade creditors	1,644	3,824
Amounts due to group companies	6,472	7,733
Payments on account	1,410	2,269
Corporation tax	1,368	981
Other taxation and social security costs	1,298	1,236
Other creditors	162	103
Accruals and other deferred income	13,380	10,479
Proposed dividend	-	2,773
	<u>25,734</u>	<u>29,398</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

	2002 £ '000	2001 £ '000
Provisions for foreseeable losses on long term contracts		
Opening balance at 1 January	634	665
Charged/(released) to the profit & loss account	<u>31</u>	<u>(31)</u>
Closing balance at 31 December	<u>665</u>	<u>634</u>
Other specific provisions		
Opening balance at 1 January	210	264
Charged/(released) to the profit & loss account	<u>56</u>	<u>(54)</u>
Closing balance at 31 December	<u>266</u>	<u>210</u>
Deferred tax provision		
Opening balance at 1 January	59	-
Charged to the profit & loss account	<u>100</u>	<u>59</u>
Closing balance at 31 December	<u>159</u>	<u>59</u>
	<u>1,090</u>	<u>903</u>

Notes To The Financial Statements**31 December 2002**

(Continued)

17. CALLED UP SHARE CAPITAL

	2002 £ '000	2001 £ '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.

18. COMBINED RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENT OF RESERVES

	Share Capital £ '000	Profit and loss Account £ '000	Total £ '000
At 1 January 2002	6,700	857	7,557
Profit for the year	-	3,974	3,974
Dividends	-	92	92
	<u>6,700</u>	<u>4,923</u>	<u>11,623</u>
At 31 December 2002	<u>6,700</u>	<u>4,923</u>	<u>11,623</u>

19. FINANCIAL COMMITMENTS

At 31 December 2002 the company was committed to making the following payments during the next year in respect of operating leases:

	2002 £ '000	2001 £ '000
Land and buildings		
Leases which expire:		
Within one year	4	-
Within two to five years	144	92
After five years	352	443
	<u>500</u>	<u>535</u>
Other		
Leases which expire:		
Within one year	275	627
Within two to five years	2,352	2,364
After five years	-	-
	<u>2,627</u>	<u>2,991</u>

Notes To The Financial Statements

31 December 2002

(Continued)

20. CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 2002 or 31 December 2001.

21. PENSION COSTS

The company is a participating employer in the Dalkia Group Pension Scheme, a defined benefit scheme. The scheme is separately funded and provides defined benefits that are computed based on an employee's years of service and final pensionable salary. The total cost of retirement benefits for the company was £929,897 (2001: £818,866).

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 review of the defined benefit pension scheme was at 31 December 2002. The fair value of the scheme assets at that date was £66,267,000 and the present value of the scheme liabilities was £88,881,000. Particulars of the actuarial review are included within the annual report of Dalkia Plc. The assets of the scheme are held separately from those of the group, and the company is unable to separately identify the share of the underlying assets and liabilities related to its employees.

The scheme has been closed to all employees joining the group after 1 January 2002.

22. RELATED PARTY DISCLOSURES

The Company is a wholly owned subsidiary of Dalkia Plc which produces consolidated financial statements, and accordingly has taken advantage of the exemption provided in FRS 8 not to disclose certain intra-group transactions with related parties.

23. 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 Vivendi Environnement SA and the smallest is Dalkia International SA. Dalkia International is a joint venture between Vivendi Environnement SA and Electricité de France. Vivendi 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

Vivendi Environnement SA
36-38 avenue Kléber
75116 Paris
France

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

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