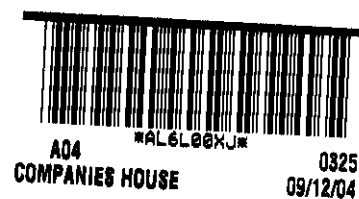


Utilicom Limited

**Directors' report and financial
statements**

Registered number 1506399

31 August 2004



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Directors' report

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

Principal activities

The principal activity of the company during the year continued to be that of the provision of heating and energy services.

Results and dividends

The trading results for the year, and the financial position at the end of the year, are shown in the attached financial statements. The directors have not recommended a dividend.

Directors and directors' interests

The directors who held office during the year were as follows:

P C Bono
Baroness Maddock
C J Maillard (resigned 21 November 2003)
A J M Planchot (resigned 22 November 2003)
F Brengues (appointed 21 November 2003)
G M Peck (appointed 21 November 2003)
S Woodward (appointed 21 November 2003)

No director had any beneficial interest in the share capital of the company nor in the shares of any other group companies. No rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year. Interests in the share capital of the ultimate joint parents, IDEX SA and Strasbourgeoise d'Exploitation de Chauffage SA, are shown in the financial statements of those companies.

Auditors

Following the resignation of the previous auditors, the directors appointed KPMG LLP to fill the casual vacancy. In accordance with Section 385 of the Companies Act 1985, a resolution for their reappointment as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


P C Bono
Director

Garrett House
Manor Royal
Crawley
West Sussex
RH10 2PY
25 November 2004

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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP

1 Forest Gate
Brighton Road
Crawley
RH11 9PT
United Kingdom

Report of the independent auditors to the members of Utilicom Limited

We have audited the financial statements on pages 4 to 14.

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 are responsible for preparing the directors' report and, as described on page 2, the financial statements 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 by our profession's ethical guidance.

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 other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

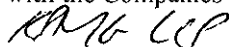
Basis of audit opinion

We conducted our audit in accordance with 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 August 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG LLP
Chartered Accountants
Registered Auditor

25 November 2004

Profit and loss account
for the year ended 31 August 2004

	<i>Note</i>	2004 £	2003 £
Turnover	<i>1, 2</i>	3,893,753	3,613,284
Cost of sales		2,629,304	2,619,145
Gross profit		1,264,449	994,139
Administrative expenses		1,376,110	1,128,878
Other operating income	<i>3</i>	472,592	290,982
Operating profit		360,931	156,243
Interest receivable		393	308
Interest payable and similar charges	<i>7</i>	(263)	(1,743)
Profit on ordinary activities before taxation	<i>4</i>	361,061	154,808
Tax on profit on ordinary activities	<i>8</i>	85,697	4,348
Retained profit for the year	<i>16</i>	275,364	150,460

The operating profit for the year arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

Balance sheet
at 31 August 2004

	Note	2004 £	2003 £
Fixed assets			
Intangible assets	9	-	332
Tangible assets	10	167,124	136,383
Investments	11	94	94
		<u>167,218</u>	<u>136,809</u>
Current assets			
Stocks	12	9,970	10,985
Debtors	13	2,376,251	3,111,773
Cash at bank and in hand		1,574,621	62,329
		<u>3,960,842</u>	<u>3,185,087</u>
Creditors: amounts falling due within one year	14	<u>1,555,290</u>	<u>1,024,490</u>
Net current assets		<u>2,405,552</u>	<u>2,160,597</u>
Total assets less current liabilities		<u>2,572,770</u>	<u>2,297,406</u>
Capital and reserves			
Called up share capital	15	550,000	550,000
Other reserves	16	1,508,705	1,508,705
Profit and loss account	16	514,065	238,701
Shareholders' funds	17	<u>2,572,770</u>	<u>2,297,406</u>

These financial statements were approved by the board of directors on 24 November 2004 and were signed on its behalf by:

P C Bono
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

Fixed assets and depreciation

All fixed assets are initially recorded at cost.

Once brought into use, depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows:

Plant and machinery	-	15% per annum on reducing balance
Fixtures and fittings	-	15% - 33.3% per annum on reducing balance and straight line
Motor vehicles	-	25% per annum on reducing balance
Office equipment	-	33.3% per annum on reducing balance and straight line

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Operating leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Pension costs

The company is a member of a group defined contribution scheme operated for the benefit of certain employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the fund.

Notes (continued)

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised on a full provision undiscounted basis on all timing differences that have originated, but not reversed at the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Connection charges are recognised as turnover when invoiced, which is as the connection is made. Capital expenditure relating to the connection is capitalised and depreciated over the life of the contract.

Foreign Currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

2 Analysis of turnover

The turnover and profit before tax are attributable to the one principal activity of the company and arise solely within the United Kingdom.

3 Other operating income

	2004 £	2003 £
Management charges receivable	392,600	290,982
Overhead recharges to group undertakings	79,992	-
	<u>472,592</u>	<u>290,982</u>

4 Profit on ordinary activities before taxation

	2004 £	2003 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Amortisation of goodwill	332	333
Depreciation and other amounts written off tangible fixed assets: Owned	37,853	36,501
Auditors' remuneration:		
Audit	11,800	5,080
Operating lease costs:		
Land and buildings	58,831	50,106
Plant and equipment	109,777	78,696
Vehicles	43,205	49,737
	<u></u>	<u></u>

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2004	2003
Operations and administrative staff	57	47

The aggregate payroll costs of these persons were as follows:

	2004	2003
	£	£
Wages and salaries	1,608,759	1,368,419
Social security costs	110,159	133,347
Other pension costs	41,064	28,727
	<u>1,759,982</u>	<u>1,530,493</u>

6 Remuneration of directors

	2004	2003
	£	£
Directors' emoluments	100,555	10,000
Company contributions to money purchase pension schemes	3,083	-
	<u>103,638</u>	<u>10,000</u>

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £83,055 (2003:£10,000), and company pension contributions of £3,083 (2003:£nil) were made to a money purchase scheme on his behalf.

	Number of directors	
	2004	2003
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	-

Notes (continued)

7 Interest payable and similar charges

	2004 £	2003 £
Interest payable on bank borrowing	263	431
Other interest payable	-	1,312
	<u>263</u>	<u>1,743</u>

8 Tax on profit on ordinary activities

Analysis of charge in period

	2004 £	2003 £
<i>UK corporation tax</i>		
Current tax on income for the period	85,697	-
Adjustments in respect of prior periods	-	4,348
	<u>85,697</u>	<u>4,348</u>
Total current tax	<u>85,697</u>	<u>4,348</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2003: lower) than the standard rate of corporation tax in the UK of 30%, (2003: 30%). The differences are explained below.

	2004 £	2003 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	361,061	154,808
	<u>108,318</u>	<u>46,442</u>
Current tax at 30% (2003: 30%)		
<i>Effects of:</i>		
Expenses not deductible for tax purposes	2,649	9,590
Capital allowances for period in excess of depreciation	(1,305)	(165)
Adjustments to tax charge in respect of previous periods	-	4,348
Group relief claimed	(23,965)	(31,267)
Utilisation of tax losses	-	(24,600)
	<u>85,697</u>	<u>4,348</u>
Total current tax charge	<u>85,697</u>	<u>4,348</u>

Notes (continued)

9 Intangible fixed assets

	Goodwill £
Cost	
At beginning and end of year	998
Amortisation	
At beginning of year	666
Charge for year	332
At end of year	998
Net book value	
At 31 August 2004	-
At 31 August 2003	332

10 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Office equipment £	Total £
Cost					
At beginning of year	134,086	128,881	10,742	195,597	469,306
Transferred from group company	-	3,929	-	27,402	31,331
Additions	17,000	8,580	32,879	11,665	70,124
Disposals	-	-	(10,742)	(1,750)	(12,492)
At end of year	151,086	141,390	32,879	232,914	558,269
Depreciation					
At beginning of year	78,713	87,163	9,863	157,184	332,923
Transferred from group company	-	3,526	-	27,401	30,927
Charge for year	10,856	7,856	2,850	16,291	37,853
Adjustment on disposals	-	-	(9,975)	(583)	(10,558)
At end of year	89,569	98,545	2,738	200,293	391,145
Net book value					
At 31 August 2004	61,517	42,845	30,141	32,621	167,124
At 31 August 2003	55,373	41,718	879	38,413	136,383

Notes (continued)

11 Fixed asset investments

	Shares in group undertakings £
<i>Cost</i>	
At beginning and end of year	94
	<hr/>
<i>Net book value</i>	
At 31 August 2004	94
	<hr/>
At 31 August 2003	94
	<hr/>

Subsidiary undertakings:

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

	Nature of business	Class of share capital held	Proportion of Share capital held
Industrielle de Chauffage (UK) Limited	Specialist design and project management consultancy.	Ordinary	90%
North Channel Energy Services Limited	Operation and maintenance services in the heating and energy sector. Trading activity transferred to Utilicom Limited during the year.	Ordinary	100%
Cogen Systems Limited	Dormant	Ordinary	100%

These financial statements present information about the company as an individual undertaking and not about its group (see accounting policies).

12 Stocks

	2004 £	2003 £
Stock of fuel	9,970	-
Work in progress	-	10,985
	<hr/>	<hr/>
	9,970	10,985
	<hr/>	<hr/>

Notes (continued)

13 Debtors

	2004 £	2003 £
Trade debtors	705,830	769,002
Amounts owed by group undertakings	1,466,906	2,122,865
Prepayments and accrued income	203,515	219,906
	<u>2,376,251</u>	<u>3,111,773</u>

14 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	379,902	449,055
Amounts owed to group undertakings	205,632	147,696
Taxation and social security	330,981	122,662
Other creditors	50,819	16,333
Accruals and deferred income	587,956	288,744
	<u>1,555,290</u>	<u>1,024,490</u>

15 Called up share capital

	2004 £	2003 £
<i>Authorised</i>		
1,650,000 Ordinary shares of £1 each	<u>1,650,000</u>	<u>1,650,000</u>
<i>Allotted, called up and fully paid</i>		
550,000 Ordinary shares of £1 each	<u>550,000</u>	<u>550,000</u>

16 Reserves

	Other reserves £	Profit and loss account £
At beginning of year	1,508,705	238,701
Retained profit for the year	-	275,364
	<u>1,508,705</u>	<u>514,065</u>

Notes (continued)

17 Reconciliation of movements in shareholders' funds

	2004 £	2003 £
Profit for the financial year	275,364	150,460
Opening shareholders' equity funds	2,297,406	2,146,946
	<hr/>	<hr/>
Closing shareholders' equity funds	2,572,770	2,297,406
	<hr/>	<hr/>

18 Commitments under operating leases

At 31 August 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2004 £	Other £	Land and buildings 2003 £	Other £
Operating leases which expire:				
Within 1 year	3,854	15,340	-	25,761
Within 2 to 5 years	-	65,384	42,683	39,626
Over 5 years	60,000	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	63,854	80,724	42,683	65,387
	<hr/>	<hr/>	<hr/>	<hr/>

19 Contingent liabilities

The company had a contingent liability at the balance sheet date in respect of Value Added Tax due to HM Customs and Excise by fellow group undertakings as a result of group registration for Value Added Tax purposes, the liability amounting to £20,088 (2003: £62,232).

20 Related party transactions

At the year end the company was owed £351,891 (2003: £351,891) by IDEX Energy UK Limited, a group company and £22,837 (2003: £22,837) by Strasbourgeoise d'Exploitation de Chauffage SA, the joint ultimate parent company.

No other transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

Notes *(continued)*

21 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is ultimately jointly owned and controlled by IDEX SA and Strasbourgeoise d'Exploitation de Chauffage SA, both of which are incorporated in France.

The largest group in which the results of the company are consolidated is that headed by IDEX SA. Copies of IDEX SA group accounts can be obtained from 8 bis Rue Escudier, 92513 Boulogne-Bilancourt Cedex, France. Copies of the Strasbourgeoise d'Exploitation de Chauffage SA group accounts are available at 2 Place Des Moulins, 67000 Strasbourg, France.

The smallest group in which the results of the company are consolidated is that headed by Utilicom Group Limited. The consolidated accounts are available to the public and may be obtained from Companies House.