

30TH JUNE 1994

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UTILICOM LIMITED
REPORT OF THE DIRECTORS

DIRECTORS:

A.J.M. Planchot (Chairman)
C.J. Maillard
P.C. Bono
P. Tordeux

SECRETARY:

R.A. Pledger

The directors present their report and financial statements for the year ended 30th June 1994.

1. Principal Activity

The principal activity of the company during the year was the provision of heating and energy services.

2. Directors And Their Interests

The directors have no interests in the share capital of the company, or its parent company (1993 : Nil). The directors during the year were as follows:

A.J.M. Planchot
C.J. Maillard
P.C. Bono (appointed 24th November 1993)

P. Tordeux was appointed as a director on 15th September 1994.

Advantage is taken in the preparation of the directors' report of the special exemptions applicable to small companies conferred by Part II of Schedule 8 to the Companies Act 1985.

BY ORDER OF THE BOARD

Registered Office:

4 London Wall Buildings
Blomfield Street
London
EC2M 5NT

C.J. Maillard
Director



12th February 1996

UTILICOM LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period 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 then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

REPORT OF THE AUDITORS
TO THE SHAREHOLDERS OF UTILICOM LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 2 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.

Fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the following matters:

(i) Future financing

The financial statements have been prepared on a going concern basis, the validity of which depends upon future funding being available. The financial statements do not include any adjustments that would result from a failure to obtain continuing financial support. Details of circumstances relating to this fundamental uncertainty are described in note 1

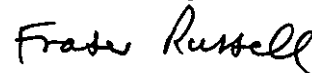
(ii) Trade debtors

Included in trade debtors is an amount of £81,461 due from an associated undertaking of the parent company. The settlement of this debt is dependent upon the outcome of proceedings currently being undertaken by the shareholders of the associate to dispose of their interests in the company. Details of circumstances relating to this fundamental uncertainty are described in note 7.

Our opinion is not qualified in respect of the matters referred to in paragraph (i) and (ii) above.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30th June 1994 and of the loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.



FRASER RUSSELL

Chartered Accountants
Registered Auditors

4 London Wall Buildings
Blomfield Street
London
EC2M 5NT

12th February 1996

UTILICOM LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 1994

	Note	<u>1994</u>	<u>1993</u>
Turnover	2	1,812,546	1,969,985
Cost of sales		1,250,540	1,585,966
		<hr/>	<hr/>
Gross Profit		562,006	384,019
Administrative expenses		(790,896)	(611,638)
		<hr/>	<hr/>
Operating Loss	3	(228,890)	(227,619)
Interest receivable		-	2,415
Interest payable	4	(100,869)	(66,912)
		<hr/>	<hr/>
Loss On Ordinary Activities Before Taxation		(329,759)	(292,116)
Tax on loss on ordinary activities	5	-	7,424
		<hr/>	<hr/>
Retained Loss For The Financial Year	12	£ (329,759)	£ (284,692)
		<hr/>	<hr/>

Continuing Operations

None of the company's activities were acquired or discontinued during the above two financial years.

Total Recognised Gains And Losses

The company has no recognised gains or losses other than the losses for the above two financial years.

The notes on pages 6 to 10 form part of these financial statements.

UTILICOM LIMITED

BALANCE SHEET 30TH JUNE 1994

	Note	<u>1994</u>	<u>1993</u>
Fixed Assets			
Tangible assets	6	271,342	256,686
Current Assets			
Stocks		37,481	85,397
Debtors	7	667,507	906,236
Cash at bank and in hand		1,181	841
		<u>706,169</u>	<u>992,474</u>
Creditors: Amounts Falling Due Within One Year	8	(668,077)	(1,491,352)
Net Current Assets/(Liabilities)		<u>38,092</u>	<u>(498,878)</u>
Total Assets Less Current Liabilities		<u>309,434</u>	<u>(242,192)</u>
Creditors: Amounts Falling Due After More Than One Year	9	(19,217)	-
Provision For Liabilities And Charges	11	(125,537)	(113,369)
Net Assets/(Liabilities)		<u>£ 164,680</u>	<u>£ (355,561)</u>
Capital And Reserves			
Called up share capital	12	250,000	250,000
Capital reserve	12	1,508,705	658,705
Profit and loss account	12	(1,594,025)	(1,264,266)
Equity Shareholders' Funds		<u>£ 164,680</u>	<u>£ (355,561)</u>

Advantage is taken in the preparation of the financial statements of the special exemptions applicable to small companies conferred by Part I of Schedule 8 to the Companies Act 1985. In the directors' opinion, the company is entitled to those exemptions as a small company.

Approved by the Board and signed on its behalf on 12th February 1996

C.J. Maillard

)
) Directors

P.C. Bono

)

The notes on pages 6 to 10 form part of these financial statements.

UTILICOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS 30TH JUNE 1994

1. Fundamental Accounting Concept

The financial statements have been prepared on a going concern basis, the validity of which depends on the continued financial support of the parent company's shareholders. The board of directors of a shareholder company have confirmed that it will continue to provide financial support for the company in the foreseeable future.

2. Accounting Policies

(i) Basis of preparation

The accounts are prepared under the historical cost convention. No cash flow statement is presented as allowed by FRS1 on the grounds that the company is a small company as defined by Section 247 of the Companies Act 1985.

(ii) Long term provision

The company undertakes to replace certain items of boiler plant and machinery with regard to heat-supply contracts, at the end of their useful lives. It is the company's policy to provide for this liability over the life of the contract by annual amounts adjusted for inflation. Expenditure incurred is set against the provision.

(iii) Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows:

Leasehold land and buildings	at 5% p.a. on a reducing balance basis
Plant and machinery etc.	at varying rates between 15% and 33% on a reducing balance basis and at 33% on a straight line basis.

(iv) Stocks

Stocks are stated in accordance with Statement of Standard Accounting Practice No.9 at the lower of cost and net realisable value.

(v) Deferred taxation

Deferred taxation is provided on the liability method on all short term timing differences. Provision is also made for long term timing differences except for those which are not expected to reverse in the foreseeable future.

(vi) Turnover

All turnover is derived from the provision of heating and energy services in the United Kingdom and is stated exclusive of value added tax.

UTILICOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) 30TH JUNE 1994

2. Accounting Policies (continued)

(vii) Pension payments

The company operates a defined contribution pension scheme. Contributions payable to the pension scheme are charged to the profit and loss account in respect of the accounting period to which they relate.

(viii) Finance Leases

Assets held under finance lease are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease.

3. Operating Loss

1994

1993

This is stated after charging:

Directors' remuneration	£ 22,667	£ 23,500
Depreciation	£ 50,779	£ 42,735
Auditors' remuneration	£ 13,000	£ 12,000
Loss on sale of fixed assets	£ 543	£ 1,433
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4. Interest Payable

On bank loans and overdrafts wholly
repayable within five years
To group undertakings
Other interest

1,777	2,052
97,726	64,860
1,366	-
<hr/>	<hr/>
£100,869	£ 66,912
<hr/>	<hr/>

5. Taxation

There is no liability to UK Corporation Tax due to the availability of loss relief and the results for the year. The company has losses of £1,672,000 available for carry forward against future trading profits.

UTILICOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) 30TH JUNE 1994

6. Tangible Fixed Assets

	Short Leasehold Land and Buildings	Plant and Machinery etc.	Total
Cost			
At 1st July 1993	183,777	433,413	617,190
Additions	-	73,328	73,328
Disposals	-	(39,974)	(39,974)
At 30th June 1994	<u>£183,777</u>	<u>£466,767</u>	<u>£650,544</u>
Depreciation			
At 1st July 1993	30,628	329,876	360,504
Charge for the year	7,657	43,122	50,779
Eliminated on disposal	-	(32,081)	(32,081)
At 30th June 1994	<u>£ 38,285</u>	<u>£340,917</u>	<u>£379,202</u>
Net book value			
At 30th June 1994	<u>£145,492</u>	<u>£125,850</u>	<u>£271,342</u>
At 1st July 1993	<u>£153,149</u>	<u>£103,537</u>	<u>£256,686</u>

Included in plant and machinery etc. are fixed assets acquired under a finance lease with a net book value of £33,271 (1993 : £ nil). The depreciation charge for the year in respect of these assets is £5,924 (1993 : £ nil).

7. Debtors

	1994	1993
Trade debtors	400,111	275,982
Amounts owed by group undertakings	175,622	564,174
Other debtors	91,774	66,080
	<u>£ 667,507</u>	<u>£ 906,236</u>

Other debtors include an interest free loan to C.J. Maillard, a director of the company.

The amount outstanding at the year end was £2,438 (1993 : £ nil) and the maximum amount outstanding during the year was £4,026.

Included in trade debtors is an amount of £81,461 which is due from an associated undertaking of the parent company, Utilicom Holdings Limited. The shareholders of the associate have agreed to dispose of their interests in the associate. Negotiations for the sale are currently on going, the intention being to include repayment of the associates' liabilities in the sale agreement. The directors are of the opinion that the terms of the proposed sale will result in the outstanding debt referred to above being cleared.

UTILICOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) 30TH JUNE 1994

8. Creditors: Amounts Falling Due Within One Year

	1994	1993
Bank overdraft	84,656	19,294
Trade creditors	173,746	100,857
Amounts owed to group undertakings	162,368	1,124,371
Obligations under finance lease (note 10)	7,573	-
Other creditors	239,734	246,830
	<u>£ 668,077</u>	<u>£ 1,491,352</u>

9. Creditors: Amounts Falling Due After More Than One Year

Obligations under finance lease (note 10)	£ 19,217	£ -
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10. Obligations Under Finance Lease

The amounts fall due as follows:

Within one year	9,662	-
In the second to fifth years inclusive	22,029	-
	<u>31,691</u>	<u>-</u>
Less: finance charges allocated to future periods	(4,901)	-
	<u>£ 26,790</u>	<u>£ -</u>
Analysed as:		
Current obligations	7,573	-
Non-current obligations	19,217	-
	<u>£ 26,790</u>	<u>£ -</u>

11. Provision For Liabilities And Charges

Long term heat supply contracts	£ 125,537	£ 113,369
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UTILICOM LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) 30TH JUNE 1994

12. Reconciliation Of Movements In Shareholders' Funds

	Issued Share capital	Capital Reserve	Profit & loss Account	Total
At 1st July 1992	250,000	658,705	(979,574)	(70,869)
Loss for the year	-	-	(284,692)	(284,692)
At 30th June 1993	250,000	658,705	(1,264,266)	(355,561)
Capital contribution	-	850,000	-	850,000
Loss for the year	-	-	(329,759)	(329,759)
At 30th June 1994	£ 250,000	£ 1,508,705	£(1,594,025)	£ 164,680

At 30th June 1994, the authorised share capital was 1,650,000 ordinary shares of £1 each (1993 : 250,000 ordinary shares of £1 each).

Utilicom Holdings Limited is committed to increasing the capital of Utilicom Limited. £850,000 of amounts owing by Utilicom Limited to Utilicom Holdings Limited has been transferred to reserves as a capital contribution.

13. Ultimate Parent Company

The parent company is Utilicom Holdings Limited which is registered in England. The ultimate parent company is Idex SA, a company incorporated in France.

14. Pension Contributions

The company operates a defined contribution pension scheme 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 company also makes pension payments to certain employees' own personal pension schemes. The pension cost charge represents all contributions payable by the company and amounted to £30,117 (1993 : £7,351).

15. Operating Lease Obligations

Annual commitments under operating leases for land and buildings are as follows:

	1994	1993
Expiring within two to five years	5,750	5,750
Expiring after five years	7,750	7,750
	£ 13,500	£ 13,500

16. Guarantee

The company is a co-guarantor of the obligations of an associate of the parent company under an agreement with the Corporation of London, the amount of which is not quantifiable. The directors are of the opinion that no liability will arise in respect of this guarantee.

UTILICOM LIMITED

TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE 1994

	1994	1993
Sales	1,812,546	1,969,985
Cost Of Sales		
Opening stock and Wip	85,397	205,720
Purchases	536,520	713,857
	<hr/>	<hr/>
	621,917	919,577
Operating costs	653,937	744,831
Long term provision	12,167	6,955
Less: Closing stock and Wip	(37,481)	(85,397)
	<hr/>	<hr/>
	1,250,540	1,585,966
	<hr/>	<hr/>
Gross Profit	562,006	384,019
Administrative Expenses		
Directors' remuneration	22,667	23,500
Salaries and pensions	471,397	253,705
Advertising	8,830	3,543
Rent and rates	41,870	35,001
Heat and light	7,555	5,927
Travel expenses	35,156	30,534
Telephone	28,891	29,866
Printing, postage and stationery	16,546	24,302
Audit and accounting	21,103	27,125
Legal and professional	2,718	13,755
Insurance	38,107	33,085
Repairs and renewals	238	5,502
Bank charges	4,066	3,575
Subscriptions and donations	929	425
Sundry trade expenses	786	16,535
Equipment hire	2,867	4,275
Depreciation	50,779	42,735
Loss on sale of fixed assets	543	1,433
Provision for doubtful debts	15,024	34,530
Office equipment maintenance	8,053	18,351
Training	1,707	2,055
Technical publications	1,242	1,879
Bad debts	9,822	-
	<hr/>	<hr/>
	790,896	611,638
	<hr/>	<hr/>
Carried forward	(228,890)	(227,619)

UTILICOM LIMITED

**TRADING AND PROFIT AND LOSS ACCOUNT (Continued)
FOR THE YEAR ENDED 30TH JUNE 1994**

	1994	1993
Brought forward	(228,890)	(227,619)
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Operating Loss	(228,890)	(227,619)
Interest Receivable		
Interest on loans	-	349
Interest on tax refund	-	2,066
	<hr/>	<hr/>
	(228,890)	(225,204)
Interest Payable And Similar Charges		
Bank interest	1,777	2,052
Interest to group undertaking	97,726	64,860
Finance lease charges	1,366	-
	<hr/>	<hr/>
	(100,869)	(66,912)
	<hr/>	<hr/>
Loss On Ordinary Activities Before Taxation	(329,759)	(292,116)
Taxation	-	7,424
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Loss For The Financial Year	£(329,759)	£(284,692)
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