

UTILICOM LIMITED
DIRECTORS' REPORT AND ACCOUNTS
YEAR ENDED 30TH JUNE 1997

Company Number: 1506399



UTILICOM LIMITED

Directors: A.J.M. Planchot
C.J. Maillard
P.C. Bono

DIRECTORS' REPORT

The directors submit their report and the accounts for the year ended 30th June 1997.

Company law requires the directors to prepare accounts that give a true and fair view of the state of affairs of the company and of the profit or loss for its financial year. In doing so the directors are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with 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.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

The results for the year are shown on page 4.

The directors consider the company's financial position at the end of the year to be satisfactory.

DIVIDENDS AND APPROPRIATIONS

The directors are unable to recommend the payment of a dividend and therefore the balance on the profit and loss account has been carried forward.

UTILICOM LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS AND INTERESTS IN SHARES

The names of the present directors are given at the head of this report.

The directors have no interest in the share capital of the company.

AUDITORS

A resolution will be proposed at the annual general meeting to appoint Moores Rowland as auditors to the company for the ensuing year.

By order of the board

A handwritten signature in black ink, appearing to read 'C.J. Maillard', with a large, sweeping flourish at the end.

C.J. Maillard
Director

Registered office:

Pelham House
Broadfield Barton
Broadfield, Crawley
West Sussex RH11 9BY

29th October 1997

AUDITORS' REPORT TO THE MEMBERS OF
UTILICOM LIMITED

We have audited the accounts on pages 4 to 12.

Respective responsibilities of directors and auditors

As described in the directors' report the company's directors are responsible for the preparation of accounts. It is our responsibility as auditors to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

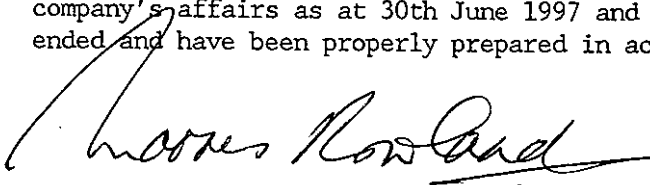
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, 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 that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30th June 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MOORES ROWLAND

Chartered Accountants
Registered Auditor
Crawley
West Sussex

29th October 1997

UTILICOM LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30th June 1997

	Note	1997 £	1996 £
TURNOVER	1 & 4	1,883,254	1,642,337
Cost of sales		1,211,219	1,168,948
GROSS PROFIT		<u>672,035</u>	<u>473,389</u>
Administration costs		395,198	345,710
OPERATING PROFIT		<u>276,837</u>	<u>127,679</u>
Investment income	2	10,906	24
Interest payable	3	(5,148)	(40,235)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	<u>282,595</u>	<u>87,468</u>
Tax credit on loss on ordinary activities		-	-
PROFIT FOR THE FINANCIAL YEAR		<u>282,595</u>	<u>87,468</u>
Retained deficit brought forward		(1,694,063)	(1,781,531)
RETAINED DEFICIT CARRIED FORWARD		<u>£(1,411,468)</u>	<u>£(1,694,063)</u>

All disclosures relate only to continuing operations.

There are no recognised gains or losses other than the profit or loss for the year.

UTILICOM LIMITED

BALANCE SHEET

As at 30th June 1997

	Note	£	1997 £	£	1996 £
FIXED ASSETS					
Tangible assets	8		223,182		163,178
CURRENT ASSETS					
Stocks	9	42,169		13,116	
Debtors	10	654,344		610,615	
Cash at bank and in hand		108,521		15,893	
			<u>805,034</u>	<u>639,624</u>	
CREDITORS - amounts falling due within one year	11	(277,697)		(264,954)	
NET CURRENT ASSETS			<u>527,337</u>	<u>374,670</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>750,519</u>	<u>537,848</u>	
Provisions for liabilities and charges	12		103,282		173,206
TOTAL NET ASSETS			<u>£647,237</u>	<u>£364,642</u>	
CAPITAL AND RESERVES					
Called up share capital	13		550,000		550,000
Capital reserve	14		1,508,705		1,508,705
Profit and loss account			(1,411,468)		(1,694,063)
TOTAL EQUITY INTEREST			<u>£647,237</u>	<u>£364,642</u>	

Approved by the board on 29th October 1997

P.C. Bono
Director



UTILICOM LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of accounting:

The accounts have been prepared on the basis of historical cost and in accordance with applicable accounting standards.

The accounts have been prepared on a going concern basis, as the parent company has indicated that it will make sufficient funds available to the company to enable it to continue trading.

Turnover

Turnover represents sales, net of value added tax, to third parties arising from the principal activity of the company.

Depreciation of tangible fixed assets

Depreciation is provided on all tangible fixed assets so as to write them off over their anticipated useful lives at the following annual rates:-

Leasehold property	- 5% on a reducing balance basis.
Plant and machinery	- at 25% on a reducing balance basis.
Computer equipment	- 33% on cost.
Fixtures and fittings	- 15% and 33% on a reducing balance basis.
Motor vehicles	- 25% on a reducing balance basis.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Leasing and hire purchase contracts

Assets being acquired under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their anticipated useful lives. The obligation to make future rental payments, net of future finance charges, is recognised as a liability in the balance sheet. The interest element of the lease and hire purchase payments are charged to the profit and loss account at a constant rate over the period of the agreement.

Rentals under operating leases are charged to the profit and loss account as incurred.

Long term provision

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

UTILICOM LIMITED

NOTES TO THE ACCOUNTS (continued)

1. ACCOUNTING POLICIES (continued)

Pension costs

Retirement benefits to employees are provided by a defined contribution scheme. Contributions payable each year are charged to the profit and loss account.

2. INVESTMENT INCOME

	1997 £	1996 £
Income from group undertakings	10,483	-
Bank interest receivable	423	24
	<u>£10,906</u>	<u>£ 24</u>

3. INTEREST PAYABLE

	1997 £	1996 £
Interest payable to group undertakings	4,872	35,000
On bank loans and overdrafts	276	2,711
On finance leases and hire purchase contracts	-	2,524
	<u>£ 5,148</u>	<u>£ 40,235</u>

4. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover derives from the company's principal activity and arises wholly within the United Kingdom.

Profit on ordinary activities before taxation is stated after charging:

	1997 £	1996 £
Loss on disposal of fixed assets	(59)	14,151
Depreciation of fixed assets - owned	20,953	22,239
Directors' emoluments (note 5)	-	-
Auditors' remuneration	6,500	6,500
Hire of Plant and Equipment	-	3,377
Operating lease payments	53,082	20,386
Exceptional item (note)	29,051	-
	<u>29,051</u>	<u>-</u>

UTILICOM LIMITED

NOTES TO THE ACCOUNTS (continued)

5. DIRECTORS AND OTHER EMPLOYEES

Staff costs include the following:

	1997	1996
	£	£
Wages and salaries	558,387	596,190
Social security costs	53,314	59,790
Other pension costs	15,670	20,299
	<u>£627,371</u>	<u>£676,279</u>

The average number of persons, including the directors, who served during the year was as follows:

	Number	Number
Operating	19	22
Administration	6	7
	<u>25</u>	<u>29</u>

No director received any emoluments during the year (1996 - nil).

6. PENSIONS

The company operates a defined contribution scheme for the benefit of certain employees. The assets of the scheme are held separately from those of the company and is an independently administered fund. The company also makes pension payments to certain employees' personal pension schemes.

The pension costs borne by the company amounted to £15,670 (1996 £20,299)

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

No liability to U.K. corporation tax arises on the results for the year. The company has tax losses of approximately £1.5 million available to offset against future taxable profits.

UTILICOM LIMITED

NOTES TO THE ACCOUNTS (continued)

8. TANGIBLE FIXED ASSETS

	Short Leasehold Land and Buildings £	Plant Machinery and Computer Equipment £	Motor Vehicles £	Fixtures and Fittings £	Total £
Cost or valuation:					
At 1st July 1996	183,777	94,587	32,658	131,867	442,889
Additions	-	81,933	-	1,347	83,280
Disposals	-	-	(25,416)	(2,000)	(27,416)
At 30th June 1997	<u>£183,777</u>	<u>£176,520</u>	<u>£ 7,242</u>	<u>£131,214</u>	<u>£498,753</u>
Depreciation:					
At 1st July 1996	52,470	90,271	29,445	107,524	279,710
Charge for year	6,565	9,321	803	4,264	20,953
Disposals	-	-	(23,092)	(2,000)	(25,092)
At 30th June 1997	<u>£ 59,035</u>	<u>£ 99,592</u>	<u>£ 7,156</u>	<u>£109,788</u>	<u>£275,571</u>
Net book value at 30th June 1997	<u>£124,742</u>	<u>£ 76,928</u>	<u>£ 86</u>	<u>£ 21,426</u>	<u>£223,182</u>
Net book value at 30th June 1996	<u>£131,306</u>	<u>£ 4,316</u>	<u>£ 7,034</u>	<u>£ 24,343</u>	<u>£163,178</u>

9. STOCKS

	1997 £	1996 £
Work in progress	23,460	-
Parts stock	18,709	13,116
	<u>£42,169</u>	<u>£13,116</u>

10. DEBTORS

	1997 £	1996 £
Trade debtors	393,645	259,409
Amounts owed by group undertakings	188,515	256,142
Other debtors	2,146	23,128
Prepayments and accrued income	70,038	71,936
	<u>£654,344</u>	<u>£610,615</u>

UTILICOM LIMITED

NOTES TO THE ACCOUNTS (continued)

11. CREDITORS - amounts falling due within one year

	1997 £	1996 £
Trade creditors	78,113	68,844
Amounts owed to group undertakings	101,447	97,430
Taxation and social security	52,063	40,739
Other creditors	33,098	3,161
Accruals and deferred income	12,976	54,780
	<u>£277,697</u>	<u>£264,954</u>

12. PROVISION FOR LIABILITIES AND CHARGES

	1997 £	1996 £
Long term heat supply contracts	<u>£103,282</u>	<u>£173,206</u>

13. CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised:		
1,650,000 ordinary shares of £1 each	<u>£1,650,000</u>	<u>£1,650,000</u>
Allotted and fully paid:		
At 1st July 1996 550,000 ordinary shares of £1 each	550,000	250,000
Allotted in year 300,000 ordinary shares of £1 each at par	-	300,000
At 30th June 1997	<u>£550,000</u>	<u>£550,000</u>

14. CAPITAL RESERVE

	1997 £	1996 £
At 1st July 1996 and 30th June 1997	<u>£1,508,705</u>	<u>£1,508,705</u>

UTILICOM LIMITED

NOTES TO THE ACCOUNTS (continued)

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
PROFIT FOR THE FINANCIAL YEAR	282,595	87,468
New share capital subscribed	-	300,000
NET INCREASE IN SHAREHOLDERS' FUNDS	<u>282,595</u>	<u>387,468</u>
Opening shareholders' funds	364,642	(22,826)
CLOSING SHAREHOLDERS' FUNDS	<u>£ 647,237</u>	<u>£364,642</u>

16. FINANCIAL COMMITMENTS

The amounts payable in the next year in respect of operating leases are shown below, analysed according to the expiry date of the leases.

	Land and buildings		Other	
	1997 £	1996 £	1997 £	1996 £
Expiry date:				
Within one year	-	-	2,660	1,864
Between one and five years	-	-	47,047	42,023
After five years	8,070	8,070	-	-
	<u>£ 8,070</u>	<u>£ 8,070</u>	<u>£49,707</u>	<u>£43,886</u>

17. ULTIMATE PARENT COMPANY

The directors regard Idex SA, incorporated in France, as the company's ultimate parent company.

Copies of the ultimate parent company's accounts are obtainable from Idex SA, 8 Bis Rue Escudier, 92513 Boulogne-Bilancourt Cedex, France.

UTILICOM LIMITED

NOTES TO THE ACCOUNTS (continued)

18. RELATED PARTY TRANSACTIONS

Transactions with fellow subsidiary

During the year the company supplied draughtsmen and engineers services to Southampton Geothermal Heating Company Limited totalling £15,895 and £60,000 respectively, at normal commercial rates. In addition the company recharged £46,000 of central management time spent on the affairs of Southampton Geothermal and recharged £10,200 of overheads incurred on their behalf.

At the balance sheet date Southampton Geothermal owed Utilicom Limited £159,464 on which £10,483 of interest was charged.

Transactions with parent undertaking

At the balance sheet date the company owed Utilicom Holdings Limited, it's direct parent undertaking, £101,447 on which interest of £4,872 was charged.