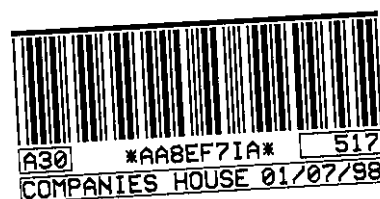


**INTEROTEX LIMITED**  
**DIRECTORS' REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31ST MARCH 1998**



Company No. 3193684

# **INTEROTEX LIMITED**

## **COMPANY INFORMATION**

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### **Directors**

Dr H J F Stroud  
Mr J M L Bergada  
Mr J Sotil  
Mr R J Hale  
Dr T L Winnington  
Mr R B Michaelson  
Dr R J Harris  
Mr F Valle-Saval

### **Secretary**

Ms E A Thorpe

### **Company Number**

3193684

### **Registered Office**

100 Thames Valley Park Drive  
Reading  
RG6 1PT

### **Auditors**

KPMG  
2 Cornwall Street  
Birmingham  
B3 2DL

### **Solicitors**

Pinsent Curtis  
3 Colmore Circus  
Birmingham  
B4 6BH

### **Bankers**

Barclays Bank Plc  
128 High Street  
Cheltenham  
GL50 1EL

# INTEROTEX LIMITED

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*The following pages do not form part of the statutory accounts:*

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# **INTEROTEX LIMITED**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31ST MARCH 1998**

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The directors present their report together with the audited accounts for the year ended 31st March 1998.

### **Principal Activities and Review of Business**

The company's principal activity is to develop and license proprietary gas heat pump technology throughout the world.

The directors consider the loss on ordinary activities before taxation to be necessary before the company achieves commercial success for the future application of the technology being developed.

### **Results and Dividends**

The results for the year are set out in the profit and loss account on page 4.

The directors do not recommend a dividend .

### **Directors**

The directors who served during the year were as follows :

Dr H J F Stroud  
Mr J M L Bergada  
Mr J Sotil  
Mr R J Hale  
Dr T L Winnington  
Mr R B Michaelson (appointed 21 May 1997)  
Dr R J Harris (appointed 26 January 1998)  
Mr F Valle-Saval (appointed 26 January 1998)

No director had any beneficial interest in the company's issued share capital.

### **Share Capital**

During the year 400,000 'A' Ordinary shares of £1 each in the company became fully paid, following cash calls amounting to £880,000. On 20 March 1998 a further 303,029 'A' Ordinary shares of £1 each in the company were allotted, nil paid, to the existing members to provide further finance to fund the company's continuing development. The total cash consideration for these shares will amount to £1,000,000 payable in four equal quarterly instalments commencing April 1998.

# INTEROTEX LIMITED

## DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST MARCH 1998

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### Directors' Responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of the company's affairs and of the profit or loss for that year. In preparing these accounts 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 accounts;

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 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 accounts 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.

### Auditors

KPMG were appointed as auditors to fill a casual vacancy, a resolution to confirm this appointment will be put to the members at the Annual General Meeting.

This report was approved by the board on 9th June 1998, and signed on its behalf.



Ms E A Thorpe, Secretary  
9th June 1998

# AUDITORS' REPORT TO THE SHAREHOLDERS OF INTEROTEX LIMITED

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We have audited the accounts on pages 4 to 11.

## **Respective Responsibilities of Directors and Auditors**

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and report our opinion to you.

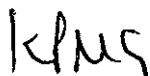
## **Basis of Opinion**

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 judgements 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 information and explanations which 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 the information in the accounts.

## **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31st March 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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**KPMG**  
**Chartered Accountants**  
**Registered Auditors**  
2 Cornwall Street  
Birmingham  
B3 2DL  
Date: 10th June 1998

# INTEROTEX LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MARCH 1998

	Notes	Year to 31.3.98 £	Three months to 31.3.97 £
<b>Turnover</b>	2	17,316	-
Cost of Sales		779,426	197,456
<b>Gross Loss</b>		(762,110)	(197,456)
Administrative Expenses		358,127	64,657
<b>Operating Loss</b>	4	(1,120,237)	(262,113)
Interest Receivable		29,616	4,595
<b>Loss for the Financial Year</b>	11	(1,090,621)	(257,518)

All amounts relate to continuing activities.

There were no recognised gains or losses for 1998 or 1997 other than those included in the profit and loss account.

# INTEROTEX.LIMITED

## BALANCE SHEET

AS AT 31ST MARCH 1998

	Notes	1998	1997
		£	£
<b>Fixed Assets</b>			
Tangible assets	6	60,294	56,685
<b>Current Assets</b>			
Stocks	7	19,680	13,013
Debtors	8	32,408	178,001
Cash at bank and in hand		363,666	480,121
		415,754	671,135
<b>Creditors: Amounts Falling Due Within One Year</b>	9	118,005	159,156
<b>Net Current Assets</b>		297,749	511,979
<b>Total Assets Less Current Liabilities</b>		358,043	568,664
<b>Capital and Reserves</b>			
Share Capital - Equity	10	614,286	470,286
Share Premium Account	11	1,091,896	355,896
Profit and loss account	11	(1,348,139)	(257,518)
<b>Shareholders' Funds</b>	12	358,043	568,664

These accounts were approved by the board on 9th June 1998 and signed on its behalf.



Dr H J F Stroud  
Director



# INTEROTEX,LIMITED

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 1998

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### 1 Accounting Policies

#### *Basis of Accounting*

The Accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The company has taken advantage of the exemptions in Financial Reporting Standard No. 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

#### *Turnover*

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

#### *Depreciation*

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their expected useful lives. The rates and periods generally applicable are:

Plant and machinery	- 20% Straight line
Office equipment	- 20% Straight line
Fixtures and fittings	- 20% Straight line
Computer equipment	- 33.33% Straight line
Scientific equipment	- 20% Straight line

#### *Research and Development*

Research and development expenditure is charged to profits in the period in which it is incurred.

#### *Stocks*

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

#### *Operating Leases*

Operating leases and the payments made under them are charged to the Profit and Loss Account on a straight line basis over the lease term.

#### *Taxation*

The charge for taxation is based on the result for the year and takes into account the taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred taxation only to the extent that it is probable that an actual liability will crystallise.

# INTEROTEX LIMITED

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 1998

### 2 Turnover

The geographical analysis of turnover is as follows:

	Year to 31.3.98 £	Three months to 31.3.97 £
Europe	4,931	-
UK	12,385	-
	<u>17,316</u>	<u>-</u>

### 3 Directors and Employees

Staff costs, including directors' remuneration, were as follows:

	Year to 31.3.98 £	Three months to 31.3.97 £
Wages and salaries	273,605	23,400
Social security costs	24,811	-
	<u>298,416</u>	<u>23,400</u>

The average monthly number of employees, including directors, during the year was as follows:

	1998 Number	1997 Number
Administration	2	-
Technical	9	-
	<u>11</u>	<u>-</u>

Directors' emoluments

	Year to 31.3.98 £	Three months to 31.3.97 £
Emoluments	9,722	-
Directors' pension contributions	778	-
	<u>10,500</u>	<u>-</u>

# INTEROTEX LIMITED

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 1998

### 4 Operating Loss

*The operating loss is arrived at after charging or crediting:*

	Year to 31.3.98 £	Three months to 31.3.97 £
Depreciation of owned assets	18,132	10,167
Hire of equipment	545	1,022
Hire of equipment - operating leases	9,814	-
Hire of equipment - operating leases - land and buildings	28,401	4,067
Auditors' remuneration	5,000	1,800

### 5 Taxation

No provision in respect of corporation tax has been made because the company has taxable losses.

### 6 Tangible Fixed Assets

	Plant and Machinery	Office Equipment	Fixtures and Fittings	Computer Equipment	Scientific Equipment	Total
<b>Cost</b>	£	£	£	£	£	£
At 1st April 1997	25,892	2,127	6,739	32,078	-	66,836
Additions	7,943	-	-	5,191	8,692	21,826
Disposals	-	-	-	(310)	-	(310)
<b>At 31st March 1998</b>	<b>33,835</b>	<b>2,127</b>	<b>6,739</b>	<b>36,959</b>	<b>8,692</b>	<b>88,352</b>
<b>Depreciation</b>						
At 1st April 1997	4,169	-	2,691	3,291	-	10,151
Charge for the year	4,945	421	852	10,626	1,288	18,132
Disposals	-	-	-	(225)	-	(225)
<b>At 31st March 1998</b>	<b>9,114</b>	<b>421</b>	<b>3,543</b>	<b>13,692</b>	<b>1,288</b>	<b>28,058</b>
<b>Net Book Value</b>						
<b>At 31st March 1998</b>	<b>24,721</b>	<b>1,706</b>	<b>3,196</b>	<b>23,267</b>	<b>7,404</b>	<b>60,294</b>
<i>At 31st March 1997</i>	<i>21,723</i>	<i>2,127</i>	<i>4,048</i>	<i>28,787</i>	<i>-</i>	<i>56,685</i>

### 7 Stocks

	1998 £	1997 £
Raw materials	19,680	13,013
	<b>19,680</b>	<b>13,013</b>

# INTEROTEX, LIMITED

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 1998

<b>8</b>	<b>Debtors</b>	<b>1998</b>	<b>1997</b>
		<b>£</b>	<b>£</b>
	Trade debtors	13,154	-
	Other debtors	13,872	177,272
	Prepayments and accrued income	5,382	729
		<u>32,408</u>	<u>178,001</u>
<b>9</b>	<b>Creditors: Amounts Falling Due Within One Year</b>	<b>1998</b>	<b>1997</b>
		<b>£</b>	<b>£</b>
	Trade creditors	83,371	90,033
	Other taxes and social security	10,080	4,020
	Other creditors	-	42,911
	Accruals and deferred income	24,554	22,192
		<u>118,005</u>	<u>159,156</u>
<b>10</b>	<b>Share Capital</b>	<b>1998</b>	<b>1997</b>
		<b>£</b>	<b>£</b>
	<b>Authorised</b>		
	<b>Equity Shares</b>		
	1,000,000 'A' Ordinary shares of £1.00 each	1,000,000	500,000
	214,286 'B' Ordinary shares of £1.00 each	214,286	214,286
		<u>1,214,286</u>	<u>714,286</u>
	<b>Allotted</b>		
	<b>Equity Shares</b>		
	400,000 Allotted, called up and fully paid 'A' ordinary shares of £1.00 each	400,000	256,000
	303,029 Allotted and called up 'A' ordinary shares of £1.00 each nil paid		
	214,286 Allotted, called up and fully paid 'B' ordinary shares of £1.00 each	214,286	214,286
		<u>614,286</u>	<u>470,286</u>

'A' Ordinary shares carry full voting rights of £1 each in the capital of the company. 'B' Ordinary shares do not carry voting rights in the capital of the company. The 'A' Ordinary shares have a right to 70% of the profits available for distribution in any year and the 'B' Ordinary shares the right to the remaining 30%.

During the year 400,000 'A' Ordinary shares in the company became fully paid up following cash calls in accordance with the shareholder agreement, amounting to a nominal value of £144,000 and associated share premium of £736,000.

On 20 March 1998 the shareholders passed a special resolution increasing the number of authorised 'A' Ordinary shares of £1 each to £1,000,000. It was further resolved that 303,029 'A' Ordinary shares of £1 each be allotted, nil paid, to the existing members of the company to provide further finance to fund the company's continuing development. The total cash consideration for these shares will amount to £1,000,000, payable in four equal quarterly instalments commencing in April 1998.

# INTEROTEX LIMITED

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31ST MARCH 1998

### 11 Reserves

	Share Premium Account	Profit and Loss Account
	£	£
At 1st April 1997	355,896	(257,518)
Loss for the year	-	(1,090,621)
Premium on cash calls in year	736,000	-
<b>At 31st March 1998</b>	<b>1,091,896</b>	<b>(1,348,139)</b>

### 12 Reconciliation of Shareholders' Funds

	1998 £	1997 £
Loss for the financial period	(1,090,621)	(257,518)
Increase in share capital - cash calls in year	880,000	826,182
Decrease/Increase in the shareholders' funds	(210,621)	568,664
Opening shareholders' funds	568,664	-
Closing shareholders' funds	358,043	568,664

### 13 Operating Lease Commitments

At 31 March 1998 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	1998 £	1997 £	1998 £	1997 £
Operating leases which expire:				
Between two and five years	17,500	-	8,772	3,552
After five years	-	19,458	-	-
	<b>17,500</b>	<b>19,458</b>	<b>8,772</b>	<b>3,552</b>

# **INTEROTEX LIMITED**

## **NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31ST MARCH 1998**

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### **14 Related Parties Transactions**

The company's shareholders are BG plc, Gas Natural SDG, S.A., Fagor Electrodomesticos S. Coop and Lennox Industries Inc who have an influence over the company's financial and operating policies and are therefore related parties.

During the year ended 31 March 1998 purchases amounting in aggregate to £32,360 were made from the company's shareholders and sales amounting in aggregate to £16,662 were made to them. In addition fees amounting to £29,633 were paid in respect of services provided by them. All these transactions were in the normal course of business and were on an arm's length basis.

At 31 March 1998 aggregate amounts of £12,499 were receivable from the company's shareholders.

During the year the company paid consultancy fees and expenses totalling £76,921 to Dr T L Winnington and £42,648 to Mr R B Michaelson, both directors of the company. The transactions were at normal commercial rates.