

**REGISTRAR OF  
COMPANIES**

5070887

**First Utility Limited**

Report and Financial Statements

Year Ended

31 December 2006



**BDO**

**BDO Stoy Hayward**  
Chartered Accountants

## **First Utility Limited**

### **Annual report and financial statements for the year ended 31 December 2006**

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#### **Contents**

Directors

#### **Page:**

1	Report of the directors
6	Report of the independent auditors
8	Profit and loss account
9	Reconciliation of movements in shareholders' funds
10	Balance sheet
11	Notes forming part of the financial statements

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#### **Directors**

D S Braham  
T J Maguire  
D M Simkins

#### **Secretary and registered office**

T Maguire, 19 South Audley Street, London, W1K 2NU

#### **Company number**

5070887

#### **Auditors**

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL

## **First Utility Limited**

### **Report of the directors for the year ended 31 December 2006**

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The directors present their report together with the audited financial statements for the year ended 31 December 2006

#### **Results and dividends**

The profit and loss account is set out on page 8 and shows the profit for the year

The directors do not recommend the payment of a dividend for the year

#### **Principal activities, business review and future developments**

The company is engaged in telecommunications reselling and the supply of electricity and gas services to domestic and small business customers

On 5 January 2006, the shares of the company were transferred from Sunbright Holding Company Limited to Impello PLC, a company registered in England and Wales. On 31 July 2006 the company acquired from its parent company the business and net assets (other than Impello PLC's shares in First Utility Limited and First Utilities Limited, and other loans) of Impello PLC as a going concern for a consideration equal to the net book value of the net assets acquired

The company continued to trade effectively within the competitive telecoms market with a focus on cost effective customer acquisition and the reduction of churn through strong customer service. The results reflect the ongoing investment in the launch of electricity and gas services to both business and residential customers which will represent a growing proportion of the company's activities in the forthcoming year

On 31 December 2006 the company sold its telecommunications customer base to First Telecommunications Limited, a fellow subsidiary undertaking, for £2.4 million. Previously the company had not attributed any value to this asset in its balance sheet. The company will provide services and ancillary support to First Telecommunications Limited

On 31 December 2006 the company transferred to First Utilities Limited, a fellow subsidiary undertaking, Intellectual Property with a capitalised cost of £100,000 incurred in respect of software development costs undertaken on behalf of First Utilities Limited

#### *Objective and strategy*

The objective and strategy of the company is to deliver long term value to its shareholders. The Board's strategy to achieve this goal is embodied in the following key principles

- To attract a strong customer base, the company shall compete on price and offer innovative services supported by outstanding customer service and
- To employ and develop highly motivated staff, knowledgeable about the services they provide and trained in selling skills and customer service

#### *Markets*

The UK market for telecommunication services and the supply of electricity and gas is highly competitive

The development of the internet delivers enhanced product information and facilitates price comparability for consumers. Whilst this creates new challenges in terms of margin maintenance, it provides a significant opportunity for the company

## First Utility Limited

### Report of the directors for the year ended 31 December 2006 (*Continued*)

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#### Principal activities, business review and future developments (*Continued*)

##### *Risks to achieving the company's objective*

Risk is present in all businesses. The Board regularly reviews the risks faced by the company. The Directors consider that the major risks to achieving the company's objective are as stated below. The Board however recognises that the profile of risks changes constantly and additional risks not presently known or that are currently deemed immaterial may also impact on attainment of the company's objective.

##### (i) *Economic environment*

The economic environment impacts spending in many ways. Unemployment levels, interest rates, consumer debt levels, taxation and many other factors influence consumers spending decisions. The level of business activity is directly correlated to the level of business spending.

##### *Meeting customers needs*

Customers expect competitive prices. What differentiates telecommunication and utility companies is the provision of services that customers want, along with staff that provide excellent service.

Regular surveys of customer satisfaction are conducted. The results are used to assess performance and to drive high standards. Customer feedback is used to understand where we can be more responsive to customers needs.

##### *Seasonality*

The company's business is becoming more seasonal with an increasing proportion of its sales and operating results likely to be generated in the first and last quarters of each year as its utility services grow.

##### *Competition*

The company operates in a highly competitive environment. Businesses join and leave the market and/or expand or reduce their product and service ranges in response to competitive forces. Different channels to market have different cost structures and different appeal to customers.

The company continuously monitors the activities of its competitors and potential competitors and takes appropriate action in terms of, for example, its product and service offering and pricing to maintain and strengthen its position.

##### *Market margin erosion*

The level of margins is governed by the market. Consumer demand, competition and regulation/taxation all impact on margins. The company is focused on protecting margins through the management of its cost structures to mitigate the impact of margin erosion.

##### *Cash flow*

As the company grows its utility services it will continue to require additional funding. The Directors continually monitor the cash flow requirements of the business in order to ensure the company is fully funded.

## First Utility Limited

### Report of the directors for the year ended 31 December 2006 (*Continued*)

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#### Principal activities, business review and future developments (*Continued*)

##### *Risks to achieving the company's objective (Continued)*

###### (ii) *Employees*

All companies face the risk of failing to attract, develop and retain the right calibre of staff for their business. Through development and training programmes the Board believes that the company is well placed to build on its success.

###### (iii) *Systems failures*

In common with other businesses, the company is dependent on the suitability and reliability of its systems and procedures including its information technology systems. The company has developed emergency procedures which are regularly tested. The company carries out evaluation, planning and implementation analysis before updating or introducing new systems that have an impact on critical functions.

###### (iv) *Legislative, reputational and regulatory risks*

The company's operations are subject to extensive regulatory requirements, particularly in relation to the products and services it sells, its advertising, marketing, sales practices, its employment and environmental issues. Changes in law and regulations and their enforcement may impact upon the company's business in terms of costs, changes to business practices, restrictions on activities or, more importantly, lead to reputational damage to the company and its brand.

The company operates a strong compliance regime which monitors legal developments to ensure the appropriate training and necessary modification to trading practices and policies. Regular reviews are conducted to ensure compliance with the increasing number of legal and regulatory developments.

##### *Performance monitoring*

The successful delivery of the company's objective is monitored by the Board through Key Performance Indicators and the periodic review of the company's operations.

#### **Financial Key Performance Indicators**

<b>Operational</b>	<b>Definition</b>
Total sales	Growth in total sales
Customer churn	The rate at which customers leave any of the Group's services
Market position	Market position is an important measure of how well customers are being engaged by the company's brand
Operating profit	Continued growth of operating profit enables the company to invest in its future and provide a return to shareholders. Targets are set relative to expected market performance

## **First Utility Limited**

### **Report of the directors for the year ended 31 December 2006 (Continued)**

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<b>Stakeholder satisfaction</b>	<b>Definition</b>
Customer satisfaction	Results of telephone surveys
Staff satisfaction	Results of staff surveys
Staff turnover	Number of leavers as percentage of average number of employees

#### **Employment of disabled persons**

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises and the continued employment and retraining of employees who become disabled whilst employed by the company. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the company.

#### **Employee involvement**

Employees are advised of changes and developments within the company by means of briefing meetings held by directors and senior management. Staff are advised of financial results and targets.

#### **Research and development activities**

The Group has invested significant internal resource in developing its back office systems to enable it to efficiently address the launch of its utility services.

#### **Policy and practice on the payment of creditors**

It has been the practice of the company to honour its contractual commitments and this includes paying suppliers in accordance with agreed terms.

The number of average days purchases of the company represented by trade creditors at 31 December 2006 was 76 (2005 - 50).

#### **Directors**

The directors of the company during the year were

D S Braham  
T J Maguire  
D M Simkins

At 31 December 2006, D S Braham and D M Simkins each had a 7.5% (2005 - 25%) beneficial holding in the company via their holding in Impello PLC, the parent company.

In addition D S Braham and D M Simkins have each been granted 288,500 options to acquire shares in Impello PLC, the parent company, at an exercise price of £1.21 per share and 75,000 options to acquire shares in Impello PLC at an exercise price of 1p per share. T J Maguire has been granted 10,000 options to acquire shares in Impello PLC at an exercise price of 1p per share. The options may be exercised on a public offering of the shares of Impello PLC or on the offer by any person to acquire all the issued shares of Impello PLC.

## **First Utility Limited**

### **Report of the directors for the year ended 31 December 2006 (*Continued*)**

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#### **Directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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 of the company for that year. In preparing those financial statements, the directors are required to

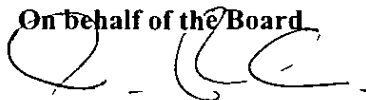
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare 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 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

#### **Auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP, who were appointed as first auditors of the company by the directors, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

**On behalf of the Board**  
  
D S Braham

**Director**

Date

**13 APR 2007**

## **First Utility Limited**

### **Report of the independent auditors**

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#### **To the shareholders of First Utility Limited**

We have audited the financial statements of First Utility Limited for the year ended 31 December 2006 which comprise the profit and loss account, the reconciliation of movements in shareholders' funds, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, 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 other transactions 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.

**First Utility Limited**

**Report of the independent auditors (*Continued*)**

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*Opinion*

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

*BDO Stoy Hayward LLP*

**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors*  
London

27 April 2007

**First Utility Limited****Profit and loss account for the year ended 31 December 2006**

	Note	2006 £	2005 £
Turnover	2	2,013,124	-
Cost of sales		(1,119,967)	-
<b>Gross profit</b>		<b>893,157</b>	<b>-</b>
Administrative expenses		(1,374,173)	(99,665)
<b>Operating loss</b>	5	<b>(481,016)</b>	<b>(99,665)</b>
Profit on disposal of intangible fixed assets	6	2,400,000	-
Interest receivable		4,108	-
Interest payable and similar charges	7	(23,401)	(27)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>1,899,691</b>	<b>(99,692)</b>
Taxation charge on profit/(loss) from ordinary activities	8	-	-
<b>Retained profit/(loss) for the year</b>	14	<b>1,899,691</b>	<b>(99,692)</b>

All amounts relate to continuing activities

All recognised gains and losses are included in the profit and loss account

The notes on pages 11 to 19 form part of these financial statements

**First Utility Limited****Reconciliation of movements in shareholders' funds for the year ended 31 December 2006**

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	2006 £	2005 £
Opening shareholders' (deficit)/funds	(99,690)	2
Profit/(loss) for the year	1,899,691	(99,692)
	<hr/>	<hr/>
<b>Closing shareholders' funds/(deficit)</b>	<b>1,800,001</b>	<b>(99,690)</b>
	<hr/>	<hr/>

The notes on pages 11 to 19 form part of these financial statements

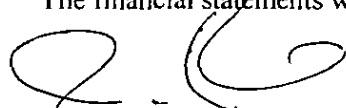
**First Utility Limited**

**Balance sheet at 31 December 2006**

	Note	2006 £	2006 £	2005 £	2005 £
<b>Fixed assets</b>					
Intangible assets	9		257,406		2,800
Tangible assets	10		415,619		7,115
			<u>673,025</u>		<u>9,915</u>
<b>Current assets</b>					
Stock		64,655		-	
Debtors - due within one year	11	2,589,371		18,164	
Cash at bank and in hand		39,586		921	
		<u>2,693,612</u>		<u>19,085</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>1,566,636</u>		<u>128,690</u>	
<b>Net current assets/(liabilities)</b>			<u>1,126,976</u>		<u>(109,605)</u>
<b>Total assets less current liabilities</b>			<u>1,800,001</u>		<u>(99,690)</u>
<b>Capital and reserves</b>					
Called up share capital	13		2		2
Profit and loss account	14		1,799,999		(99,692)
<b>Shareholders' funds/(deficit)</b>			<u>1,800,001</u>		<u>(99,690)</u>

The financial statements were approved by the Board of Directors and authorised for issue on

**13 APR 2007**



**D S Braham**  
**Director**

The notes on pages 11 to 19 form part of these financial statements

## First Utility Limited

### Notes forming part of the financial statements for the year ended 31 December 2006

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#### 1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied.

##### *Turnover*

Turnover represents sales to outside customers at invoiced amounts less value added tax.

##### *Goodwill*

Goodwill arising on the acquisition of part of the trade of Affinity Wireless Limited is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition,
- in other years if events or changes in circumstances indicate that the carrying value may not be recoverable.

##### *Impairment of fixed assets and goodwill*

The need for any fixed asset and goodwill impairment write-down is assessed by comparing the carrying value of the asset against the higher of realisable value and value in use.

##### *Research and Development*

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria:

- the project is clearly defined and related expenditure is separately identifiable,
- the project is technically feasible and commercially viable,
- current and future costs are expected to be exceeded by future sales, and
- adequate resources exist for the project to be completed.

In such circumstances the costs are carried forward and amortised over a period not exceeding five years commencing in the year the group starts to benefit from the expenditure.

##### *Depreciation and amortisation*

Depreciation and amortisation is provided to write off the cost, less estimated residual values, of all fixed assets, evenly over their expected useful lives. Depreciation and amortisation is calculated at the following rates:

Trademark and licences	-	20% to 25% per annum
Goodwill	-	25% per annum
Leasehold improvements	-	over term of lease
Computer and telecom equipment	-	33% per annum
Development	-	20% per annum
Fixtures and fittings	-	25% per annum

## First Utility Limited

### Notes forming part of the financial statements for the year ended 31 December 2006

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#### 1 Accounting policies (*Continued*)

##### *Stocks*

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

##### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date.

Deferred tax balances are not discounted.

##### *Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the year of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

#### 2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

# First Utility Limited

## Notes forming part of the financial statements for the year ended 31 December 2006

### 3 Employees

	2006 £	2005 £
Staff costs consist of		
Wages and salaries	675,809	50,863
Social security costs	71,484	6,701
	<u>747,293</u>	<u>57,564</u>

Included in the staff costs above is an amount of £197,923 (2005 - £Nil) relating to costs that have been capitalised as intangible assets

	2006 Number	2005 Number
The average number of employees including directors during the year was as follows		
Part time	1	-
Full time	21	4
	<u>22</u>	<u>4</u>

### 4 Directors

	2006 £	2005 £
Directors' remuneration consist of		
Fees and emoluments for management services	70,191	-
	<u>70,191</u>	<u>-</u>

### 5 Operating loss

	2006 £	2005 £
This has been arrived at after charging		
Depreciation	83,009	703
Loss on disposal of fixed assets	46,143	-
Amortisation	88,606	-
Operating leases - Hire of other assets	1,699	-
- Land and buildings	57,580	-
Auditors' remuneration - audit services	18,300	-
- non audit services	-	-
	<u>195,637</u>	<u>703</u>

# First Utility Limited

## Notes forming part of the financial statements for the year ended 31 December 2006

### 6 Profit on disposal of intangible fixed assets

	2006 £	2005 £
Profit on disposal of telecommunications customer base	2,400,000	-

On 31 December 2006 the company sold its telecommunications customer base to First Telecommunications Limited, a fellow subsidiary undertaking, for £2.4 million. Previously, the company had not attributed any value to this asset in its balance sheet.

### 7 Interest payable and similar charges

	2006 £	2005 £
Bank overdraft	-	27
Loan from ultimate parent company	8,831	-
Other loans	14,570	-
	23,401	27

### 8 Taxation charge on profit/(loss) from ordinary activities

	2006 £	2005 £
Corporation tax	-	-

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2006 £	2005 £
Profit/(loss) on ordinary activities before tax	1,899,691	(99,692)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 - 30%)	569,907	(29,908)
Effects of:		
Expenses not deductible for tax purposes	8,478	141
Depreciation in excess of capital allowances	(19,692)	211
Depreciation on non-qualifying assets	1,104	-
Profit on non-taxable intra-group transfer	(720,000)	-
Tax losses available to carry forward	160,203	29,556
Current tax charge	-	-

**First Utility Limited**

**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)**

**9 Intangible assets**

	<b>Software Development £</b>	<b>Trademark and licences £</b>	<b>Purchased goodwill £</b>	<b>Total £</b>
<i>Cost</i>				
At 1 January 2006	-	2,800	-	2,800
Transfer from parent undertaking	-	45,734	487,557	533,291
Additions	376,602	1,005	-	377,607
Transfer to fellow subsidiary undertaking	(100,000)	-	-	(100,000)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	<b>276,602</b>	<b>49,539</b>	<b>487,557</b>	<b>813,698</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>				
At 1 January 2006	-	-	-	-
Transfer from parent undertaking	-	31,109	436,577	467,686
Provided for in the year	32,175	5,451	50,980	88,606
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	<b>32,175</b>	<b>36,560</b>	<b>487,557</b>	<b>556,292</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2006	<b>244,427</b>	<b>12,979</b>	<b>-</b>	<b>257,406</b>
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	<b>-</b>	<b>2,800</b>	<b>-</b>	<b>2,800</b>
	<hr/>	<hr/>	<hr/>	<hr/>

**First Utility Limited**

**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)**

**10 Tangible assets**

	<b>Leasehold improvements £</b>	<b>Computer and telecom equipment £</b>	<b>Fixtures and fittings £</b>	<b>Total £</b>
<i>Cost</i>				
At 1 January 2006	-	7,818	-	7,818
Transfer from parent undertaking	30,024	927,185	89,801	1,047,010
Additions	-	47,270	11,365	58,635
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	<b>30,024</b>	<b>982,273</b>	<b>101,166</b>	<b>1,113,463</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 January 2006	-	703	-	703
Transfer from parent undertaking	2,586	600,810	10,736	614,132
Provided for in the year	3,679	67,816	11,514	83,009
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006	<b>6,265</b>	<b>669,329</b>	<b>22,250</b>	<b>697,844</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 December 2006	<b>23,759</b>	<b>312,944</b>	<b>78,916</b>	<b>415,619</b>
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2005	-	7,115	-	7,115
	<hr/>	<hr/>	<hr/>	<hr/>

**11 Debtors**

	<b>2006 £</b>	<b>2005 £</b>
Amounts falling due within one year		
Trade debtors	44,416	-
Other debtors	128,751	11,131
Prepayments and accrued income	357,430	7,031
Share capital not paid	-	2
Amounts owed by fellow subsidiary undertakings	2,058,774	-
	<hr/>	<hr/>
	<b>2,589,371</b>	<b>18,164</b>
	<hr/>	<hr/>

**First Utility Limited**

**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)**

**12 Creditors: amounts falling due within one year**

	2006 £	2005 £
Trade creditors	431,562	33,482
Amounts owed to parent undertaking	534,951	85,001
Taxation and social security	84,044	7,963
Other creditors	531	303
Accruals	515,548	1,941
	<u>1,566,636</u>	<u>128,690</u>

**13 Share capital**

	2006 Number	Authorised 2005 Number	2006 £	2005 £
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
	Allotted, called up and fully paid			
	2006 Number	2005 Number	2006 £	2005 £
Ordinary shares of £1 each	2	2	2	2
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

**14 Profit and loss account**

	£
At 1 January 2006	(99,692)
Retained profit for the year	1,899,691
	<u>1,799,999</u>
At 31 December 2006	<u>1,799,999</u>

**First Utility Limited**

**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)**

**15 Provision for liabilities and charges**

**£**

*Deferred taxation*

Balance at 1 January 2006 and 31 December 2006

-

	2006 £	2005 £
Accelerated capital allowances	19,481	213
Tax losses available	(19,481)	(213)
	-	-

**16 Capital commitments**

	2006 £	2005 £
Contracted but not provided for	25,000	-

**17 Commitments under operating leases**

As at 31 December 2006, the company had annual commitments under non-cancellable operating leases as set out below

	2006 Land and buildings £	2006 Other £	2005 Land and buildings £	2005 Other £
Operating leases which expire				
Within one year	-	4,077	-	-
Between two to five years	145,837	-	-	-
	145,837	4,077	-	-

## **First Utility Limited**

### **Notes forming part of the financial statements for the year ended 31 December 2006 *(Continued)***

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#### **18 Ultimate parent company**

At 31 December 2006 the company's ultimate parent company was Impello PLC, a company incorporated in England and Wales, which is the parent of both the smallest and largest groups of which the company is a member

#### **19 Related party transactions**

On 31 July 2006 the company acquired the business and net assets (other than Impello PLC's investment in First Utility Limited and First Utilities Limited and other loans) of the parent company, Impello PLC. The consideration was equal to the net book value of the net assets acquired as at 31 July 2006. The amount due to the parent company as at 31 December 2006 is £534,951 (2005 - £85,001)

On 31 December 2006, the company sold its telecommunications customer base to First Telecommunications Limited, a fellow subsidiary company, for £2,400,000 (see note 6) and the amounts already received by the company from customers as at that date for services to be provided thereafter were transferred to First Telecommunications Limited. In addition, the company paid costs on behalf of First Telecommunications Limited amounting to £9,781. The total amount due from First Telecommunications Limited as at 31 December 2006 is £1,958,774 (2005 - £Nil)

On 31 December 2006 the company transferred to First Utilities Limited, a fellow subsidiary undertaking, Intellectual Property with a capitalised cost of £100,000 incurred in respect of software development costs undertaken on behalf of First Utilities Limited. This amount remained outstanding as at 31 December 2006

#### **20 Cash flow statement**

The company has used the exemption under Financial Reporting Standard 1, "Cash Flow Statements", not to produce a cash flow statement as 90% or more of the voting rights are controlled within the group and the consolidated financial statements of Impello PLC are publicly available