

Utilicom Limited

Directors' report and financial
statements

Registered number 1506399

For the year ended
28 February 2007



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 28 February 2007

Principal activities

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

Business review

The activities of the company have remained focused on both the development and operation of District Energy schemes, where it continues to be the UK market leader, and also Building Services maintenance and allied operations

The risks and uncertainties faced by these two activities are different in so far as new energy schemes (where CHP is the most appropriate technology to be deployed in relation to greenhouse gas and fuel savings) are still partially held back by unfocused central government support whether by financial grants, tax incentives or other forms of relief to encourage local authorities or the private sector to address the environmental gains available by adopting a district energy scheme. Conversely, new planning and building regulations for new and regeneration build encourages the development of local, embedded centralised generation, but there still exists a gap between aspiration targets and financial reality of delivering energy schemes. The company remains confident that large scale adoption of district energy is likely in the short to medium term, and is currently addressing the alternate schemes that can be delivered as sound financial propositions to suit different circumstances, in order that it can offer its services to as wide a range of customers as possible.

Whilst wholesale energy prices continue to fluctuate, the immediate tangible advantages of installing a CHP scheme to generate heat and electricity, for example, are not always easy to demonstrate, although in many cases the cost and environmental savings still exist. However, where government incentives are available for a scheme the take-up rate can be greatly improved. Alternative energy technologies are being evaluated for those situations where CHP does not prove an attractive option.

Overall, turnover increased by 48.7% over the previous year, as a result of gains in both district energy schemes and building services maintenance contracts.

At the year end the company remained strong with solid reserves and, with the increase in customer base already achieved, is projecting a further increase in profits for the current year.

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' report (continued)

Directors and directors' interests

The directors who held office during the year were as follows

P C Bono
P V Debatte
Baroness Maddock
M Smith (appointed 1 April 2006)
G M Peck
S Woodward

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 period. Interests in the share capital of the ultimate parent company, IH International SA, are shown in the financial statements of that company.

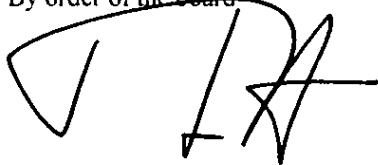
Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Statement as to disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



P V Debatte
Director

Garrett House
Manor Royal
Crawley
West Sussex
RH10 2PY
4 MAY 2007

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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

Independent auditors' report to the members of Utilicom Limited

We have audited the financial statements of Utilicom Limited for the year ended 28 February 2007 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the relevant 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.

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 judgments 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.

Independent auditors' report to the members of Utilicom Limited (Continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 February 2007 and of its profit 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

M16 LLP

4 May 2007

KPMG LLP
Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 28 February 2007

	<i>Note</i>	2007 £	2006 £
Turnover	<i>1,2</i>	8,840,264	5,943,200
Cost of sales		6,730,713	4,066,615
Gross profit		<u>2,109,551</u>	<u>1,876,585</u>
Administrative expenses		1,917,025	1,562,175
Other operating income	<i>3</i>	(607,564)	(537,624)
Operating profit		<u>800,090</u>	<u>852,034</u>
Interest receivable and similar income	<i>7</i>	62,510	330,823
Profit on ordinary activities before taxation	<i>4</i>	<u>862,600</u>	<u>1,182,857</u>
Tax on profit on ordinary activities	<i>8</i>	262,001	281,655
Retained profit for the year	<i>16</i>	<u><u>600,599</u></u>	<u><u>901,202</u></u>

Turnover and 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

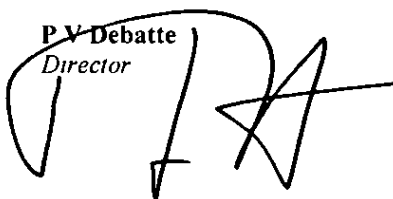
Balance sheet
at 28 February 2007

	<i>Note</i>	£	2007 £	£	2006 £
Fixed assets					
Tangible assets	9		464 153		120 826
Investments	10		105		105
			<hr/>		<hr/>
			464 258		120 931
Current assets					
Stocks	11	374 436		76 520	
Debtors	12	5 738 023		4 106 970	
Cash at bank and in hand		1 505 178		1 297 268	
		<hr/>		<hr/>	
		7 617 637		5 480 758	
Creditors amounts falling due within one year	13	3 900 086		2 118 428	
		<hr/>		<hr/>	
Total assets less current liabilities			3 717 551		3 362 330
Provisions for liabilities and charges	14		97 949		-
			<hr/>		<hr/>
Net current assets			4 083 860		3 483 261
			<hr/>		<hr/>
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		2 025 155		1 424 556
			<hr/>		<hr/>
Shareholders' funds	17		4 083 860		3 483 261
			<hr/>		<hr/>

These financial statements were approved by the board of directors on its behalf by

4 May 2007 and were signed on

P V Debatte
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 248 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 of its size.

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 normally recognised as turnover when invoiced, which is over the period that the connection is made. Capital expenditure relating to the connection is capitalised and depreciated over the life of the contract. Other expenditure relating to the connection is treated as a cost of sale matched to the period in which the connection charge is recognised.

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

	2007 £	2006 £
Management charges receivable	515,735	451,367
Overhead recharges to group undertakings	91,829	86,257
	<u>607,564</u>	<u>537,624</u>

4 Profit on ordinary activities before taxation

	2007 £	2006 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Depreciation and other amounts written off tangible fixed assets Owned	46,740	41,185
Auditors' remuneration		
Audit	17,432	14,028
Other services	3,757	8,768
Operating lease costs		
Land and buildings	60,000	60,000
Plant and equipment	115,868	131,612
Vehicles	83,472	62,851
	<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	
	2007	2006
Operations and administrative staff	70	58

The aggregate payroll costs of these persons were as follows

	2007 £	2006 £
Wages and salaries	2,124,987	1,606,727
Social security costs	224,437	174,523
Other pension costs	79,110	57,004
	<u>2,428,534</u>	<u>1,838,254</u>

6 Remuneration of directors

	2007 £	2006 £
Directors' emoluments	200,382	158,131
Company contributions to money purchase pension schemes	18,000	17,000
	<u>218,382</u>	<u>175,131</u>

The emoluments of the highest paid director were £138,882 (2006 £124,631) and company contributions to their money purchase pension scheme were £18,000 (2006 £17,000)

	Number of directors	
	2007	2006
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	1	1

7 Interest receivable and similar income

	2007 £	2006 £
Bank interest received	62,510	81,964
Dividend	-	248,859
	<u>62,510</u>	<u>330,823</u>

Notes (continued)

8 Tax on profit on ordinary activities

Analysis of charge in period	2007 £	2006 £
<i>UK corporation tax</i>		
Current tax on income for the year	163,910	281,433
Adjustments in respect of prior years	142	222
	<hr/>	<hr/>
Total current tax	164,052	281,655
Deferred tax (see note 14)	97,949	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	262,001	281,655
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the year is higher (2006 lower) than the standard rate of corporation tax in the UK of 30%, (2006 30%) The differences are explained below

	2007 £	2006 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	862,600	1,182,857
	<hr/>	<hr/>
Current tax at 30% (2006 30%)	258,780	354,857
<i>Effects of</i>		
Expenses not deductible for tax purposes	3,131	3,871
Capital allowances for year in excess of depreciation	(98,001)	(2,328)
Dividend not taxable	-	(74,159)
Losses brought forward	-	(808)
	<hr/>	<hr/>
Current tax on income for the year	163,910	281,433
Adjustments in respect of prior periods	142	222
	<hr/>	<hr/>
Tax on profit on ordinary activities	164,052	281,655
Deferred tax		
Increase in deferred tax provision (note 14)		
Capital allowances	97,949	-
	<hr/>	<hr/>
Total deferred tax (note 14)	97,949	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	262,001	281,655
	<hr/>	<hr/>

Notes (continued)

9 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Office equipment £	Total £
<i>Cost</i>				
At beginning of year	151,086	153,933	248,940	553,959
Additions	310,000	17,747	62,320	390,067
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	461,086	171,680	311,260	944,026
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of year	102,719	109,864	220,550	433,133
Charge for year	7,255	9,279	30,206	46,740
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	109,974	119,143	250,756	479,873
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 28 February 2007	351,112	52,537	60,504	464,153
	<hr/>	<hr/>	<hr/>	<hr/>
At 28 February 2006	48,367	44,069	28,390	120,826
	<hr/>	<hr/>	<hr/>	<hr/>

10 Fixed asset investments

	Shares in group undertakings £	Other investments other than loans £	Total £
<i>Cost</i>			
At beginning of year	104	40,000	40,094
Impairment losses brought forward	-	(39,999)	(39,999)
	<hr/>	<hr/>	<hr/>
At end of year	104	1	105
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 28 February 2007	104	1	105
	<hr/>	<hr/>	<hr/>
At 28 February 2006	104	1	105
	<hr/>	<hr/>	<hr/>

Notes (continued)

10 Fixed asset investments (continued)

Subsidiary undertakings

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

	Activity	Country of Incorporation	Class of share share held	Proportion of Share capital held
Industrielle de Chauffage (UK) Limited	Engineering	England	Ordinary	100%
Cogen Systems Limited	Dormant	Scotland	Ordinary	100%
Residential Heat and Power Limited	Dormant	England	Ordinary	100%

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

11 Stocks

	2007 £	2006 £
Stock of parts	9,970	9,970
Work in progress	364,466	66,550
	<u>374,436</u>	<u>76,520</u>

12 Debtors

	2007 £	2006 £
Trade debtors	1,251,981	1,100,642
Amounts owed by group undertakings	4,163,307	2,715,818
Prepayments and accrued income	320,891	290,485
Other debtors	1,844	25
	<u>5,738,023</u>	<u>4,106,970</u>

13 Creditors' amounts falling due within one year

	2007 £	2006 £
Trade creditors	1,306,599	591,228
Amounts owed to group undertakings	483,617	-
Taxation and social security	345,352	463,932
Other creditors	46,690	190,494
Accruals and deferred income	1,717,828	872,774
	<u>3,900,086</u>	<u>2,118,428</u>

Notes (continued)

14 Provisions for liabilities and charges

	2007 £	2006 £
The movement in deferred taxation provision during the year was		
Charge to the profit and loss account for the year	97,949	-
At end of year	97,949	-
Arising from accelerated capital allowances		

15 Called up share capital

	2007 £	2006 £
<i>Authorised</i>		
1,650,000 Ordinary shares of £1 each	1,650,000	1,650,000
<i>Allotted, called up and fully paid</i>		
550,000 Ordinary shares of £1 each	550,000	550,000

16 Reserves

	Other reserves £	Profit and loss account £
At beginning of year	1,508,705	1,424,556
Retained profit for the year	-	600,599
At end of year	1,508,705	2,025,155

17 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit for the financial year	600,599	901,202
Opening shareholders' equity funds	3,483,261	2,582,059
Closing shareholders' equity funds	4,083,860	3,483,261

18 Pension scheme

The company operates a defined contribution pension scheme. The pension charge for the year represents contributions payable by the group to the scheme and amounted to £79,110 (2006 £57,004).

Outstanding contributions at the end of the financial period amounted to £10,195 (2006 £5,777).

Notes (continued)

19 Commitments under operating leases

At 28 February 2007 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2007 £	Other 2007 £	Land and buildings 2006 £	Other 2006 £
Operating leases which expire				
Within 1 year	-	-	-	18,755
Within 2 to 5 years	-	13,861	-	13,861
Over 5 years	60,000	-	60,000	-
	<u>60,000</u>	<u>13,861</u>	<u>60,000</u>	<u>32,616</u>
At end of year	<u>60,000</u>	<u>13,861</u>	<u>60,000</u>	<u>32,616</u>

20 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 £nil (2006 £nil)

21 Related party transactions

At the year end the company owed £83,617 (2006 was owed £283,511 by) to IDEX Energy UK Limited, a group company, and £20,000 (2006 £20,000) was owed by Strasbourgeoise d'Exploitation de Chauffage SA, the joint intermediate parent company

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

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

The company is jointly owned and controlled by IDEX SAS and Strasbourgeoise d'Exploitation de Chauffage SA, both of which are incorporated in France. These companies are subsidiaries of IH International SA, incorporated in Luxembourg.

The largest group in which the results of the company are consolidated is that headed by IH International SA, and accounts can be requested from 5 Rue Guillaume Kroll, L-1882, Luxembourg. The smallest group in which the results of the company are consolidated is that headed by Utilicom Group Limited, and accounts are available to the public and may be obtained from Companies House.