

APPENDIX 4C – DECEMBER 2005 SECOND QUARTER CASH FLOW REPORT

Solco generated a positive operating cash flow for the 3 months of \$300,000. Cash receipts for the quarter were over \$5 million for the first time, with strong contributions coming from its overseas activities.

The company's cash position benefited from a concentrated focus by management in improving all areas of working capital. The company is working to put in place rigorous management processes and culture to ensure these improvements are ongoing.

As announced late November the company has undertaken a restructure in a number of business units in order to diversify its risk. As a consequence a number of redundancies occurred in December, the cost of which was borne in the December quarter with significant cashflow benefits expected from January onwards.

Cash at Bank at the end of the quarter was \$1.25m, up from \$0.8m at 1st October 2005.

For further information contact:

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

SOLCO LTD.

ABN

27 084 656 691

Quarter ended ("current quarter")

31 DECEMBER 2005

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	5,144	9,575
1.2 Payments for (a) staff costs	(896)	(1,659)
(b) advertising and marketing	(137)	(246)
(c) research and development	(48)	(135)
(d) leased assets	-	-
(e) other working capital	(3,760)	(8,477)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	12	23
1.5 Interest and other costs of finance paid	(15)	(18)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	300	(937)

+ See chapter 19 for defined terms.

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	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	300	(937)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) Businesses (item 5) <i>(adjustment to purchase price)</i>	(5)	(5)
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(153)	(186)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	5	8
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other i) 30% interest in Solco Malaysia, who are licensed to manufacture and sell Solar Hot Water Systems throughout Asia.	(11)	(85)
ii) 19% interest in MB Solco (Malta), who are licensed to manufacture and sell Solar Hot Water Systems in the Italian and Middle Eastern markets.	(95)	(95)
Net investing cash flows	(259)	(363)
1.14 Total operating and investing cash flows	41	(1,300)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	6	12
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	1,092	1,092
1.18 Repayment of borrowings	(702)	(708)
1.19 Dividends paid	-	-
1.20 Other	-	-
Net financing cash flows	396	396
Net increase (decrease) in cash held	437	(904)
1.21 Cash at beginning of quarter/year to date	819	2,160
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	1,256	1,256

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	86
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Salaries to executive director. Non-executive Director fees and consultancy work.
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Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	422	397
3.2	Credit standby arrangements	40	14

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Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	648	716
4.2 Deposits at call	503	-
4.3 Bank overdraft	-	-
4.4 Other (Term Deposits)	105	103
Total: cash at end of quarter (item 1.22)	1,256	819

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a) (i))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	Choice Electric Co (Aust) Pty Ltd	-
5.2 Place of incorporation or registration	Hendra, Queensland	-
5.3 Total Consideration for acquisition	2,228	-
5.4 Total net assets	1,478	-
5.5 Nature of business	Distributor of Solar Power products.	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 23/01/2006
 (Company secretary)

Print name: Ashley Arnott

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