

## **APPENDIX 4C – SEPTEMBER 2006 FIRST QUARTER CASH FLOW REPORT**

Solco generated a negative operating cash flow for the 3 months of \$1.36m. This was the result of major restructuring of the operations.

The first quarter of the 2006/2007 Financial Year saw some significant changes to the running of the business. Operations in the Water Division were substantially scaled back in September to address quality and warranty issues which had been causing large ongoing monthly losses. Existing levels of staff have further been reduced with attendant once off costs but will result in a saving of \$0.2m in the next quarter.

Creditor payments have been significantly reduced to current trading terms resulting in \$0.6m spend. Stock Holdings have increased for the quarter from \$2.2m to \$2.6m mainly due to the purchase of solar modules to again further capitalise where the supply is scarce but also to position the group well for coming months.

The first quarter also saw the injection of short term funding of \$1.5m procured and supported by Non Executive Director, David Richardson as part of the recapitalisation proposal. This saw the payout of existing borrowings for the group which at settlement were \$0.6m

Cash at Bank at the end of the quarter was \$0.5m, down from \$0.96m at 1st July 2006.

For further information contact:

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Non Executive Director  
Solco Limited  
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# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

SOLCO LTD

ABN

27 084 656 691

Quarter ended ("current quarter")

30 SEPTEMBER 2006

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from customers	2,699	2,699
1.2 Payments for		
(a) staff costs	(488)	(488)
(b) advertising and marketing	(27)	(27)
(c) research and development	(3)	(3)
(d) leased assets	-	-
(e) other working capital	(3,515)	(3,515)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	8	8
1.5 Interest and other costs of finance paid	(33)	(33)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net operating cash flows</b>	<b>(1,359)</b>	<b>(1,359)</b>

\* See chapter 19 for defined terms.

	Current quarter \$A'000	Year to date (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,359)	(1,359)
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(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	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	-	-
<b>1.14 Total operating and investing cash flows</b>	(1,359)	(1,359)
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	-	-
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	3,374	3,374
1.18 Repayment of borrowings	(2,462)	(2,462)
1.19 Dividends paid	-	-
1.20 Other (Finance Leases)	(53)	(53)
<b>Net financing cash flows</b>	859	859
<b>Net increase (decrease) in cash held</b>	(500)	(500)
1.21 Cash at beginning of quarter/year to date	955	955
1.22 Exchange rate adjustments to item 1.20		
1.23 <b>Cash at end of quarter</b>	455	455

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

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**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	47
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 Directors.

**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	-	-
3.2	Credit standby arrangements	13	-

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\* See chapter 19 for defined terms.

## Reconciliation of cash

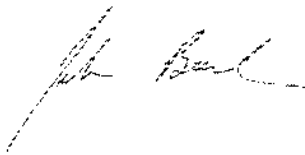
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	209	672
4.2	Deposits at call	51	88
4.3	Bank overdraft	-	-
4.4	Other (Term Deposit)	195	195
<b>Total: cash at end of quarter (item 1.23)</b>		<b>455</b>	<b>955</b>

## Acquisitions and disposals of business entities

		Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1	Name of entity	-	-
5.2	Place of incorporation or registration	-	-
5.3	Consideration for acquisition or disposal	-	-
5.4	Total net assets	-	-
5.5	Nature of business	-	-

## 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: ..26<sup>th</sup> October 2006.....  
(Company secretary)

Print name: John Beech