

financial statements

The National Energy Foundation

For the year ended 31 March 2003

Company registration number: 2218531



THE NATIONAL ENERGY FOUNDATION
FINANCIAL STATEMENTS
YEAR TO 31 MARCH 2003

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THE NATIONAL ENERGY FOUNDATION**TRUSTEES' REPORT****YEAR TO 31 MARCH 2003**

The Trustees, who also act as directors for the purposes of the Companies Act 1985, present their report for the year ended 31 March 2003.

Company information

The National Energy Foundation is a registered charity (no.298951), incorporated as a company limited by guarantee, established to increase public awareness of the efficient and safe use of energy. The Foundation's current programme is described in detail in the Trustees' Report. The Foundation is governed by its Memorandum and Articles of Association.

President:

Dr Mary Archer

The Trustees of The National Energy Foundation are:

Professor John Chesshire	(Chairman)
Christine Davis	
Keith Jackson	
Baroness Diana Maddock	
Professor Tony Marmont	
Eryl McNally MEP	
John Walker	

Gillian Thomas served as a Trustee throughout the financial year, but retired from the Board of Trustees on 16 May 2003.

The Trustees hold office for an indefinite period of time and are appointed by an Annual General Meeting. Members may elect up to 18 Trustees. No Trustee has a beneficial interest in any of the capital of the Foundation or its subsidiaries.

The principal executive officers of the Foundation are:

Richard Tinson	Director
Ian Byrne	Deputy Director & Company Secretary

Professional advisors to the Foundation are:

Auditors	Macintyre Hudson, Milton Keynes
Bankers	National Westminster Bank plc, Milton Keynes
Solicitors	Bates Wells and Braithwaite, London EC2
	Fennemores, Milton Keynes

THE NATIONAL ENERGY FOUNDATION**TRUSTEES' REPORT****YEAR TO 31 MARCH 2003**

Registered Office:
The National Energy Foundation
The National Energy Centre
Davy Avenue
Milton Keynes
MK5 8NG

Tel No: 01908 665555

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e-mail: nef@natenergy.org.uk

Web sites: www.natenergy.org.uk

(General and Energy Efficiency)

www.greenenergy.org.uk

(Renewable Energy)

Registered Charity Number: 298951

Registered Company Number: 2218531

Principal activities

The principal objective of the Foundation is to promote, through education, demonstration and research the innovative, efficient and safe use of energy to increase the public awareness of energy in all its aspects. In addition to its general programme of education and information, the Foundation and its subsidiary company, National Energy Services Limited, undertake specific projects to further its aims and are able to provide advice and consultancy services to local and regional government, corporate bodies and the general public.

Renewable Energy

NEF Renewables department operate a number of projects designed to encourage the installation of *renewable energy capacity in the domestic, agricultural and small commercial sectors as well as a number of educational projects.*

Solar Thermal Technologies

The **Selfsol** project to develop a UK base for self-build solar water heating has now been passed over to individuals who received training via the Foundation in the period for which this programme was externally funded. It was however pleasing to note that the Selfsol units were approved for grant-aided installations under the Government's Clear-Skies programme.

The National Energy Foundation took over full responsibility for the running of the **Solar Trade Association** in May 2002, having previously provided more limited support functions for the association. This is in line with the Foundation's aim of continuing to develop a stronger infrastructure for the delivery of sustainable energy within the UK.

Photovoltaics

The Foundation has two main activities in the field of solar electricity. It continues to work on the EU-funded ALTENER project **PV-DOMSYS** which supports the application of PV in domestic housing in the South-East of England, with partners including Guildford Borough Council and 13 other local authorities. It also provides secretariat functions to the **British Photovoltaic Association** (PV-UK).

Wood Fuel

Logpile is partly funded by the Government's Environmental Action Fund and aims to encourage sustainable wood fuel for the domestic market. It is achieving this through two main routes – a publicly accessible web database of wood fuel suppliers (www.logpile.co.uk) and through targeted support of pilot installations of wood pellet heating systems. As an adjunct to this project, the Foundation has helped set up and support a network of suppliers and installers going under the name of the British Pellet Club.

THE NATIONAL ENERGY FOUNDATION

TRUSTEES' REPORT

YEAR TO 31 MARCH 2003

Educational Projects

Staff from the Foundation continue to work with local schools, providing **educational visits** on the full range of renewable energies. This outreach programme is run in conjunction with the **Green Energy Mobile (GEM)**, an energy bus with a range of technologies demonstrated on board, which can attend schools and public shows, mainly in the East or South-East of England.

Information about renewable energy for a wider audience is available via the acclaimed **Renewable Energy for the Home** website and Helpline (0800 138 0889). The general public can download fact sheets and lists of suppliers for specific renewable energy sources, as well as finding out more about sustainable energy.

NEF Renewables also runs occasional **training courses**, targeted at professionals working in areas impinged upon by the move to more sustainable energy sources, including local authority staff and employees of Energy Efficiency Advice Centres.

Other, cross-cutting projects

The team has continued to work on **REST (Renewable Energy for Sustainable Tourism)**, a project that promotes renewable energy in hotels through the provision of audits and assessments part funded by the EU's ALTENER Programme.

The National Energy Foundation was also a junior partner in the **Community Renewables Initiative** for the Eastern Region (CRI-East); this suffered a delay in implementation due to problems at the lead partner but has since been re-started with the Foundation in a more prominent role.

NEF Renewables is also working on a Government funded pilot project seeking to **tackle rural fuel poverty** by testing appropriate renewable energy technologies, working in partnership with National Energy Services and NEA (National Energy Action)

Energy Efficiency – Domestic Sector

The Anglia East Energy Efficiency Advice Centre (EEAC), based in an office near Norwich, opened in June 2002. Operated by the National Energy Foundation under a contract with the Energy Saving Trust, this provides free and impartial advice on ways of saving energy to residents of ten local authority districts in Norfolk and Suffolk. In the period between its opening and the end of the financial year, the EEAC gave tailored advice to over 4,100 local residents, as well as making numerous presentations and attending several shows and exhibitions in the territory. The Foundation is grateful for the support provided by Broadland District Council, who are hosting the EEAC in their offices in Thorpe St Andrew.

The Foundation continues to work on a number of smaller projects for the public and local authorities that will lead to greater energy efficiency in UK homes, and to support other independent agencies working in the sector in Milton Keynes, Kirklees and Scotland, as well as providing secretariat services for the Association of UK Energy Agencies.

Energy Efficiency – Non-Domestic Sector

In 1998 the Foundation took over the administration of the Energy Efficiency Accreditation Scheme. This scheme was established by the Energy Systems Trade Association in 1993 and allows organisations in both the public and private sectors to demonstrate their achievement in minimising energy use, as well as quantified investment in energy efficiency and year on year savings.

Organisations are assessed by independent consultants and accreditation is given by the Energy Institute. The scheme continued to grow with over 25 new accreditations in the year. Since the Foundation assumed responsibility for the Scheme, the number of accredited organisations has risen three-fold, and spontaneous awareness of it (and the benefits of energy efficiency in larger organisations) has grown significantly.

THE NATIONAL ENERGY FOUNDATION**TRUSTEES' REPORT****YEAR TO 31 MARCH 2003****Consultancy and advice to public bodies**

The National Energy Foundation builds on its broad experience in both energy efficiency and renewables to provide energy policy and strategy support for organisations in the public and private sectors. During the year, among other assignments, it helped Northampton Borough Council write an Energy Strategy for the District, and was responsible for the energy efficiency component of the East Midlands Regional Energy Strategy. The Foundation also worked closely with East Lindsey District Council on a Community Wind Project for Lincolnshire.

The Foundation also participates actively in the national debate on energy policy and has made formal submissions on many of the recent national and regional energy policy papers, including the Government's White Paper on Energy published in February 2003.

The National Energy Centre

The Foundation is based in the National Energy Centre, a purpose built low-energy building shared with its subsidiary company, National Energy Services Ltd, and the Milton Keynes Energy Agency. The building design incorporates high levels of insulation and thermal mass, the optimum use of natural daylighting and passive ventilation and is heated by a high efficiency condensing boiler. The building also demonstrates a small-scale photovoltaic (PV) panel and demonstration plots planted for four biomass crops: miscanthus, switchgrass, poplar and willow.

During the year, Trustees took a decision in principal to build a second phase to the centre, on a site adjacent to the existing building. This will comprise of a further 425m² of office space, and will be built to an even greater standard of energy efficiency. It will also incorporate more renewable energy features, including heating from a Ground Source Heat Pump, approximately 6.5kWp of photovoltaic panels and solar water heating.

National Energy Services Limited

National Energy Services Limited (NES), which is just under two-thirds owned by the Foundation, provides a wide range of services and software that encourage the efficient use of energy in buildings. The Foundation nominates two Directors of NES, including its Chairman, but is not involved in the day-to-day management of the company. National Energy Services is organised into two main streams: Energy Programmes and Field Operations.

Energy Programmes

The key project is the National Home Energy Rating Scheme, which is firmly established as the leading UK delivery system for domestic energy rating. There are over 1,500 member organisations including many of the major housebuilders, local authorities, housing associations and fuel utilities as well as the National House Building Council, architects, energy consultants and others with a professional interest in housing.

A comprehensive range of computer programs is available to members to deliver both the National Home Energy Rating (NHER) and the Government's Standard Assessment Procedure (SAP). The software also calculates CO₂ emissions for the property and has been extended to include an Affordable Warmth Index (AWI) showing whether occupants are likely to find themselves in fuel poverty. Other applications include the analysis of housing stock, especially by local authorities and housing associations; helping architects and housebuilders design more energy-effective homes; and the rating of individual dwellings, both at change of ownership and when advising householders of the benefits of improvement measures.

National Energy Services also helps deliver cost-effective energy efficiency programmes, including assessments of energy-saving initiatives funded by Government. The group has a research capability, working mainly on ways of modelling energy use in buildings. Energy Programmes continued to operate profitably in the year.

THE NATIONAL ENERGY FOUNDATION

TRUSTEES' REPORT

YEAR TO 31 MARCH 2003

Field Operations

The Field Operations team provide energy surveying services for the assessment of energy efficiency measures. These are principally for the Government's WarmFront Scheme in Eastern England but also used by energy utilities. The WarmFront contract, under which NES provides support services for a consortium led by Powergen (formerly TXU Energi), is responsible for a majority of the turnover and staff numbers in National Energy Services, and continues to perform profitably.

The Field Operations group have also been actively involved in the Hull Warm Zone, a Government sponsored attempt to provide comprehensive energy efficiency improvements to all residents in a generally deprived area.

More information about National Energy Services can be found on its websites:

www.nesltd.co.uk (General Company information)
www.nher.co.uk (The National Home Energy Rating Scheme)

The Warm Front website for Eastern England can be found at www.powergenwarmfront.co.uk

Risk Assessment

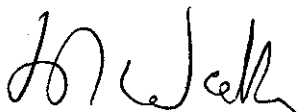
In accordance with the recommendations of SORP 2000, a sub-committee of the Trustees have worked with senior management to produce an assessment of the risks to which the Foundation is subject. These risks may broadly be categorised into five main areas: governance, business, operational risk, financial risk, and compliance. The review took account of the relatively small number of staff working for the National Energy Foundation and identified that most of the activities carried out by it are in the nature of giving advice and information to the general public about energy efficiency and renewable energy, so have a relatively low inherent risk as they are based upon well documented and publicised facts. In carrying out the review, Trustees also noted that, in common with many other charities, the Foundation has a high dependence on projects funded through either local or national Government or agencies funded by the Government. The Trustees will keep these and other more minor issues identified under continual review to ensure that the charity retains its ability to deliver high quality and cost-effective projects in support of its primary aims.

Reserves

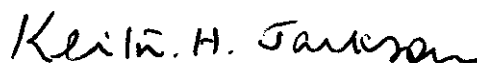
The Trustees believe that adequate reserves should be held to maintain the work of the Foundation in promoting energy efficiency and renewable energy. After consideration, the Trustees have determined that the free reserves equivalent to six months normal recurring expenditure will suffice, after allowing for the Foundation's investment in fixed assets and the subsidiary company.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of MacIntyre Hudson as auditors to the company will be put at the forthcoming Annual General Meeting.



Trustee – J Walker



Trustee – K Jackson

.....21..... November 2003

.....21st..... November 2003

THE NATIONAL ENERGY FOUNDATION

FINANCIAL STATEMENTS

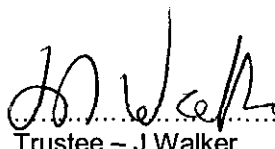
YEAR TO 31 MARCH 2003

TRUSTEES' RESPONSIBILITIES

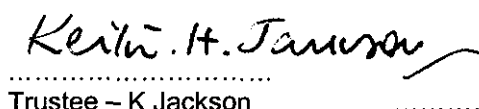
Company law requires the Trustees, as the legal directors, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the period and of the surplus or deficiency for the period then ended.

In preparing those financial statements, the Trustees are required to select suitable accounting policies, as described on pages 11 to 12, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The Trustees must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Trustees 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. The Trustees 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.


Trustee - J Walker

.....21..... November 2003


Trustee - K Jackson

.....21..... November 2003

Registered office:
The National Energy Centre
Davy Avenue
Knowlhill
Milton Keynes
MK5 8NG

THE NATIONAL ENERGY FOUNDATION

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

YEAR TO 31 MARCH 2003

We have audited the financial statements on pages 8 to 24 which have been prepared under the historical cost convention and the accounting policies set out on pages 11 to 12.

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 THE TRUSTEES AND THE AUDITORS

As described on page 6, the company's Trustees are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom accounting standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report 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 if, in our opinion, the Trustees' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations that we require for our audit, or if information specified by law regarding Trustees' remuneration and transactions with the company is not adequately disclosed.

We read the Trustees report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF OPINION

We conducted our audit in accordance with United Kingdom 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 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.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company and group as at 31 March 2003 and of its surplus for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

MACINTYRE HUDSON
Chartered Accountants
& Registered Auditors

Moorgate House
201 Silbury Boulevard
Central Milton Keynes
Buckinghamshire
MK9 1LZ

2/12/03

THE NATIONAL ENERGY FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

YEAR TO 31 MARCH 2003

	Note	Unrestricted Funds £	Restricted Revenue Funds £	Restricted Capital Funds £	Total 2003 £	Total 2002 £
INCOMING RESOURCES						
Project Income		346,340	70,019	-	416,359	314,107
Other Income		171,518	-	-	171,518	159,470
Interest Income	5	24,716	-	-	24,716	20,897
Subsidiary's Non-Charitable Trading Turnover	3	4,825,991	-	-	4,825,991	4,775,321
<i>Total Incoming Resources</i>		<u>5,368,565</u>	<u>70,019</u>	<u>-</u>	<u>5,438,584</u>	<u>5,269,795</u>
RESOURCES EXPENDED						
Direct Charitable Expenditure						
Energy Advice & Education	4	380,586	70,019	-	450,605	409,337
Energy Accreditation	4	216,193	-	-	216,193	140,389
Support Costs	4	60,842	-	-	60,842	59,117
Subsidiary's Non-Charitable Costs						
Direct Trading Expenditure	3	2,814,000	-	-	2,814,000	3,071,671
Subsidiary Support Costs	4	322,641	-	-	322,641	267,772
		<u>3,794,262</u>	<u>70,019</u>	<u>-</u>	<u>3,864,281</u>	<u>3,948,286</u>
Other Expenditure:						
Management, Administration & Depreciation						
Charity	4	102,943	-	25,274	128,217	117,338
Subsidiary	4	1,170,725	-	-	1,170,725	748,458
<i>Total Resources Expended</i>		<u>5,067,930</u>	<u>70,019</u>	<u>25,274</u>	<u>5,163,223</u>	<u>4,814,082</u>
Net Incoming Resources before Taxation and Minority Interests						
		300,635	-	(25,274)	275,361	455,713
Taxation in Subsidiary	6	89,619	-	-	89,619	138,036
Amounts Attributable to Minority Interests	7	143,927	-	-	143,927	182,427
Net Incoming Resources before Investment Asset Disposals		67,089	-	(25,274)	41,815	135,250
Realised Gain on Disposal of Investment Assets	10	4,359	-	-	4,359	6,380
NET MOVEMENTS IN FUNDS		<u>71,448</u>	<u>-</u>	<u>(25,274)</u>	<u>46,174</u>	<u>141,630</u>
Fund balances brought forward		659,302	-	1,697,640	2,356,942	2,215,312
Fund balances at 31 March 2003	14	<u>730,750</u>	<u>-</u>	<u>1,672,366</u>	<u>2,403,116</u>	<u>2,356,942</u>

The company has no recognised surpluses or deficits other than the results for the period as set out above.
All of the activities of the company are classed as continuing.

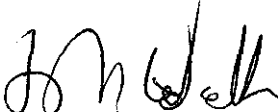
THE NATIONAL ENERGY FOUNDATION

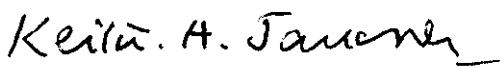
CONSOLIDATED BALANCE SHEET

YEAR TO 31 MARCH 2003

	Note	GROUP		COMPANY	
		2003	2002	2003	2002
		£	£	£	£
FIXED ASSETS					
Tangible Fixed Assets	8	1,924,222	1,870,372	1,777,774	1,713,437
Intangible Assets	9	5,904	5,904	-	-
Investments	10	50,000	-	109,427	109,427
		<u>1,980,126</u>	<u>1,876,276</u>	<u>1,887,201</u>	<u>1,822,864</u>
CURRENT ASSETS					
Stock		68,877	-	-	-
Debtors	11	1,306,472	1,422,282	215,139	175,110
Cash at Bank and in hand		518,944	819,728	178,724	195,351
		<u>1,894,293</u>	<u>2,242,010</u>	<u>393,863</u>	<u>370,461</u>
Creditors:					
Amounts falling due within one year	12	1,216,672	1,557,366	201,857	91,294
		<u>677,621</u>	<u>684,644</u>	<u>192,006</u>	<u>279,167</u>
<i>Net Current Assets</i>					
Creditors:					
Provisions for liabilities and charges	13	2,951	-	-	-
		<u>2,654,796</u>	<u>2,560,920</u>	<u>2,079,207</u>	<u>2,102,031</u>
Net Assets					
		<u>2,654,796</u>	<u>2,560,920</u>	<u>2,079,207</u>	<u>2,102,031</u>
CAPITAL AND RESERVES					
		£	£	£	£
Restricted Capital Fund	14	1,672,366	1,697,640	1,672,366	1,697,640
Minority Interest	16	251,680	203,978	-	-
Retained Surplus on Income and Expenditure Account	14	730,750	659,302	406,841	404,391
		<u>2,654,796</u>	<u>2,560,920</u>	<u>2,079,207</u>	<u>2,102,031</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium sized companies. They were approved by the Trustees on 21 November 2003, and are signed on their behalf by:


J WALKER


K JACKSON

THE NATIONAL ENERGY FOUNDATION
CONSOLIDATED CASH FLOW STATEMENT
YEAR TO 31 MARCH 2003

	Note	£	2003 £	£	2002 £	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	17		63,520		395,492	
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE						
Interest received		24,716		20,897		
Dividends paid to minority interests		(105,866)		(136,920)		
Net Cash Outflow From Returns On Investments And Servicing Of Finance			(81,150)		(116,023)	
TAXATION			(61,366)		(19,237)	
CAPITAL EXPENDITURE						
Payments to acquire tangible fixed assets		(206,346)		(118,184)		
Receipts from the sale of tangible fixed assets		20,558		-		
Payments for investments		(50,000)		(9,424)		
Net Cash Outflow From Capital Expenditure			(235,788)		(127,608)	
CASH INFLOW BEFORE FINANCING			(314,784)		132,624	
FINANCING						
Issue of shares			14,000		22,000	
INCREASE IN CASH	19		(300,784)		154,624	

THE NATIONAL ENERGY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR TO 31 MARCH 2003

1. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice (Revised 2000) and applicable standards.

Income

The income shown in the Statement of Financial Activities represents grants received and amounts invoiced during the period, exclusive of Value Added Tax. Grants received are recognised as an incoming resource to the extent that they are expended during the year. Unspent grants are carried forward in the Balance Sheet to be matched against future costs. Income from consultancy in connection with specific projects of the company and the group is recognised at the time that the work is invoiced. Income from other sources is recognised at the time that the service is supplied.

Expenditure

Expenditure is allocated between direct charitable costs and management and administration expenses on the basis of specific costs incurred during the year.

Financial statements of the group

The consolidated financial statements include the financial statements of the company and its subsidiary undertaking, National Energy Services Limited, in accordance with the provisions of the applicable SORP. All significant inter-company transactions and balances have been eliminated on consolidation. In the opinion of the Trustees, the company and its subsidiaries comprise a medium group. The company has therefore taken advantage of the exemptions provided under section 248 of the Companies Act 1985 not to prepare group accounts under the definitions of the Companies Act.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Amortisation has not been provided on the acquired goodwill during the year since the Trustees consider there to have been no diminution of value since acquisition. This contravenes Schedule 4 to the Companies Act 1985, although the effect is not considered to be material as had the goodwill been amortised over a 20 year period, the annual charge would be £295.

Fixed assets: depreciation and amortisation

Depreciation and amortisation are provided by the company and the group to write off the cost or valuation less the estimated residual value of tangible fixed assets and intangible assets by equal instalments over their estimated useful economic life as follows:

Freehold Buildings	50 years
Freehold improvements	5 years
Computer equipment	2 to 3 years
Office equipment/furniture	4 to 8 years
Intellectual Property Rights	2 years

Funds

Restricted Capital Funds relate to the contribution from the Commission for the New Towns (CNT) for the construction of the National Energy Centre in 1998-9 (see also note 14). All other funds controlled by the company are for general purposes and may be used in furtherance on any of the company's charitable objects.

THE NATIONAL ENERGY FOUNDATION**NOTES TO THE FINANCIAL STATEMENTS****YEAR TO 31 MARCH 2003****1. ACCOUNTING POLICIES (continued)****Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company and group contribute to personal pension plans of certain employees. The contributions are charged to the statement of financial activities as they fall due.

Taxation

The company is exempt from any corporation tax liability due to its charitable status. The results of the subsidiary include a provision for Corporation Tax at 30% (2002 -30%).

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

THE NATIONAL ENERGY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR TO 31 MARCH 2003

2. COMPANY LIMITED BY GUARANTEE

The National Energy Foundation is a company limited by guarantee, and without a share capital. In the event of the company being wound up every member, while he or she is a member or within one year after he or she ceases to be a member, undertakes to contribute to the assets of the company such amount as may be required, not exceeding one pound.

3. NET INCOME FROM TRADING SUBSIDIARY

The company owns the majority shareholding in a trading subsidiary which is incorporated in England and Wales. National Energy Services Limited operates as a company with principal activities of the design and provision of energy rating services and the licensing of other parties to carry out energy ratings, the design and provision of computer software, energy surveying services, and energy consultancy. The subsidiary covenants a proportion of its taxable profits to the National Energy Foundation. A summary of its trading results is shown below. Audited financial statements have been filed with the Registrar of Companies in respect of periods up to the subsidiary's year-end date of 30th November.

National Energy Services Ltd

Profit and Loss account	Year ended 31 March 2003	Year ended 31 March 2002
	£	£
Turnover	4,825,991	4,775,321
Cost of sales	2,814,000	3,071,671
<i>Gross profit</i>	<u>2,011,991</u>	<u>1,703,650</u>
Administrative expenses	1,553,280	1,068,697
Interest Payable	-	-
Interest Receivable	21,371	17,488
	<u> </u>	<u> </u>
<i>Operating profit before taxation</i>	480,082	652,441
Tax on Profit	89,619	138,036
	<u> </u>	<u> </u>
<i>Net Profit</i>	390,463	514,405
Less: Minority Interest	38,061	45,507
Less: Dividends Paid to Minority Interest	105,866	136,920
	<u> </u>	<u> </u>
Net income of trading subsidiary (attributable to company)	246,536	331,978
Minority interest retained	38,061	45,507
Amount covenanted to the National Energy Foundation	(181,898)	(249,572)
Retained in Subsidiary for the year	<u>102,699</u>	<u>127,913</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR TO 31 MARCH 2003

4. ANALYSIS OF RESOURCES EXPENDED

GROUP	Staff Costs	Other	Depreciation & Amortisation	Total
	£	£	£	£
Direct Charitable Expenditure				
Energy Advice & Education	263,853	186,752	-	450,605
Energy Accreditation	38,820	177,373	-	216,193
Support Costs	-	60,842	-	60,842
Subsidiary's Non Charitable Costs:				
Direct Trading Expenditure	1,666,502	1,147,498	-	2,814,000
Subsidiary Support costs	-	322,641	-	322,641
	<u>1,969,175</u>	<u>1,895,106</u>	<u>-</u>	<u>3,864,281</u>
Other Expenditure				
Fundraising/Publicity	-	-	-	-
Management/Administration:				
Charity	72,203	24,692	31,322	128,717
Subsidiary	793,797	270,827	106,101	1,170,725
Total Resources Expended	<u>2,835,175</u>	<u>2,190,625</u>	<u>137,423</u>	<u>5,163,223</u>

Staff costs include:	2003		2002	
	Group	Company	Group	Company
	£	£	£	£
Wages and Salaries	2,452,393	335,457	2,311,573	248,376
Social Security Costs	210,202	27,546	194,093	21,278
Pension Costs	172,580	11,873	164,119	8,937
	<u>2,835,175</u>	<u>374,876</u>	<u>2,669,785</u>	<u>278,591</u>

Number of staff whose emoluments fell within the following bands:

	2003		2002	
	Group	Company	Group	Company
£50,001 - £60,000	2	1	-	-
£60,001 - £70,000	1	-	1	-
	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>

The average number of employees during the year was as follows:

	2003		2002	
	Group	Company	Group	Company
Management and Administration	11	2	11	2
Projects, Sales and Technical	101	16	98	10
	<u>112</u>	<u>18</u>	<u>109</u>	<u>12</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR TO 31 MARCH 2003

4. ANALYSIS OF RESOURCES EXPENDED (continued)

	2003		2002	
	Group £	Company £	Group £	Company £
Support costs				
Office lease	-	-	-	-
Other property costs	47,302	29,778	40,053	23,052
Post, telephone & other communications	125,966	11,128	153,226	15,087
Other support costs	210,215	19,936	133,610	20,978
	<u>383,483</u>	<u>60,842</u>	<u>326,889</u>	<u>59,117</u>
Management/Administration				
Staff costs and benefits	866,000	72,203	535,855	66,380
Other staff costs	204,747	-	167,725	-
Auditors' remuneration – as auditors	6,850	3,200	6,675	3,150
Trustees' Emoluments	-	-	-	-
Depreciation and Amortisation	137,423	31,322	117,765	31,485
(Profit)/loss on disposal of assets	(5,485)	-	2,900	-
Other management & admin costs (including insurance, legal and professional costs)	89,407	21,492	34,876	16,323
	<u>1,298,942</u>	<u>128,217</u>	<u>865,796</u>	<u>117,338</u>

Professor J H Chesshire and Mr K. Jackson claimed £440 and £505 respectively as reimbursement for direct expenses incurred while undertaking their duties as Trustees of the Foundation.

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2003		2002	
	Group £	Company £	Group £	Company £
Interest Receivable	<u>24,716</u>	<u>3,345</u>	<u>20,897</u>	<u>3,409</u>

THE NATIONAL ENERGY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR TO 31 MARCH 2003

6. TAXATION IN SUBSIDIARY

	2003 £	2002 £
In respect of the year:		
Corporation tax based on the results for the year at 30% (2000 - 20%)	86,668	144,374
Increase / (Decrease) in deferred tax provision:		
Capital allowances	2,951	(6,338)
	<u>89,619</u>	<u>138,036</u>

7. AMOUNTS ATTRIBUTABLE TO MINORITY INTERESTS

The following amounts are attributable to the minority interests of the trading subsidiary company:

	2003 £	2002 £
Dividends paid	105,866	136,920
Retained profits	38,061	45,507
	<u>143,927</u>	<u>182,427</u>

8. TANGIBLE FIXED ASSETS

GROUP	Freehold Improvements £	Plant and Machinery £	Land & Buildings £	Total £
Cost				
Opening balance	10,949	376,505	1,748,484	2,135,938
Additions	-	110,687	95,659	206,346
Disposals	-	(30,147)	-	(30,147)
Cost at 31 March 2003	<u>10,949</u>	<u>457,045</u>	<u>1,844,143</u>	<u>2,312,137</u>
Depreciation				
Opening balance	4,380	210,342	50,844	265,566
Charge for the year	2,190	109,959	25,274	137,423
On disposals	-	(15,074)	-	(15,074)
	<u>6,570</u>	<u>305,227</u>	<u>76,118</u>	<u>387,915</u>
Net Book Value				
At 31 March 2003	<u>4,379</u>	<u>151,818</u>	<u>1,768,025</u>	<u>1,924,222</u>
At 31 March 2002	<u>6,569</u>	<u>166,163</u>	<u>1,697,640</u>	<u>1,870,372</u>

THE NATIONAL ENERGY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR TO 31 MARCH 2003

8. TANGIBLE FIXED ASSETS (continued)

The group net book value at 31 March 2003 represents fixed assets used for:

	Freehold Improvements £	Plant and Machinery £	Land and Buildings £	Total £
Direct Charitable Purposes	4,379	5,370	1,768,025	1,777,774
Other Purposes	-	146,448	-	146,448
At 31 March 2003	4,379	151,818	1,768,025	1,924,222

COMPANY	Freehold Improvements £	Plant and Machinery £	Land & Buildings £	Total £
Cost				
Opening balance	10,949	33,913	1,748,484	1,793,346
Additions	-	-	95,659	95,659
Disposals	-	-	-	-
Cost at 31 March 2003	10,949	33,913	1,844,143	1,889,005
Depreciation				
Opening balance	4,380	24,685	50,844	79,909
Charge for the year	2,190	3,858	25,274	31,322
Disposals	-	-	-	-
	6,570	28,543	76,118	111,231
Net Book Value				
At 31 March 2003	4,379	5,370	1,768,025	1,777,774
At 31 March 2002	6,569	9,228	1,697,640	1,713,437

The cost figures for land and Buildings in the company and the group include a sum of £470,000 at valuation for the land on which the National Energy Centre building is situated. This land was granted to the Foundation by the Commission for the New Towns (see also note 14 below).

Capital commitments	2003 £	2002 £
Contracted but not provided for in the financial statements	578,660	-

THE NATIONAL ENERGY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR TO 31 MARCH 2003

9. INTANGIBLE FIXED ASSETS

GROUP	Goodwill £	Intellectual Property Rights £	Total £
Cost at 31 March 2002 and 2003	5,904	40,000	45,904
Amortisation			
Opening balance	-	40,000	40,000
Charge for the year	-	-	-
	<u>-</u>	<u>40,000</u>	<u>40,000</u>
Net Book Value At 31 March 2003	5,904	-	5,904
At 31 March 2002	<u>5,904</u>	<u>-</u>	<u>5,904</u>

Intellectual property rights were acquired in November 1999 in respect of existing energy rating software.

Goodwill arises on consolidation due to the acquisition of an additional 1,333 ordinary £1 'A' shares during 2002 from the subsidiary company, National Energy Services Ltd.

THE NATIONAL ENERGY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR TO 31 MARCH 2003

10. FIXED ASSET INVESTMENTS

	Group £	Company £
Cost or valuation		
At beginning of year	-	109,427
Additions	50,000	-
At end of year	50,000	109,427
Net Book Value		
At 31 March 2003	50,000	109,427
At 31 March 2002	-	109,427

The principal companies in which the Group's interest is more than 20% are as follows:

	Principal Activities	Percentage & Class of shares held
Energy Advisory Services Limited	Dormant	100% ordinary
The National Energy Centre Limited	Dormant	100% ordinary
The Home Energy Rating Scheme Limited	Dormant	100% ordinary
National Energy Services Limited	Energy Rating & Consultancy	100% (A ordinary)
Optima Energy Limited	Energy Conservation Consultancy	100% ordinary

The ordinary 'A' shares of National Energy Services Limited represented approximately 62.9% of the total issued shares and voting rights of that company at 31 March 2003 (63.7% - 2002). This company is treated as a subsidiary of the Foundation and consolidated into these accounts.

During the year National Energy Services Limited issued 2,000 new Ordinary 'C' shares to third parties under a share option agreement. This had the effect of diluting the Foundations interests in the subsidiary company and, as a consequence, the Foundation is deemed to have disposed of part of its investment. The Foundations share of the premium paid on this issue, less the share of the subsidiary's net assets effectively disposed of, is described on the Statement of Financial Activities as being a realised gain on disposal of investment assets.

The Trustees are applying S229(2) of the Companies Act 1985 in respect of the subsidiary investment in Optima Energy Limited. Accordingly the financial statements of Optima Energy Limited are excluded from consolidation on the grounds that they are not considered material to the group.

The ordinary shares of Energy Advisory Services Ltd, The National Energy Centre Ltd and The Home Energy Rating Scheme Ltd represent 100% of the total issued shares of those companies; one share in each company is held by the Foundation and a second share in each by a fellow subsidiary.

In the opinion of the Trustees, the investments in and amounts due from the subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

All of these companies are incorporated in England & Wales.

THE NATIONAL ENERGY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR TO 31 MARCH 2003

11. DEBTORS

	GROUP		COMPANY	
	2003	2002	2003	2002
	£	£	£	£
Trade Debtors	1,080,465	654,120	157,956	89,265
Other Debtors	10,558	-	3,600	-
Prepayments and accrued income	215,449	768,162	28,025	26,775
Amounts owed by subsidiary undertakings	-	-	25,558	59,070
	<u>1,306,472</u>	<u>1,422,282</u>	<u>215,139</u>	<u>175,110</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	2003	2002	2003	2002
	£	£	£	£
Trade creditors	283,022	659,185	93,553	31,825
Corporation Tax	199,637	174,335	-	-
Other Taxes and Social Security	246,168	102,369	12,034	9,360
Other Creditors	10,535	12,850	3,602	6,335
Accruals	477,310	608,627	92,668	43,774
	<u>1,216,672</u>	<u>1,557,366</u>	<u>201,857</u>	<u>91,294</u>

13. CREDITORS: PROVISIONS FOR LIABILITIES AND CHARGES

	GROUP		COMPANY	
	2003	2002	2003	2002
	£	£	£	£
Provision brought forward	-	6,338	-	-
Increase / (Decrease) in provision	2,951	(6,338)	-	-
	<u>2,951</u>	<u>-</u>	<u>-</u>	<u>-</u>
Provision carried forward	2,951	-	-	-

The provision for deferred taxation consists of the tax effect of timing differences on capital allowances.

THE NATIONAL ENERGY FOUNDATION

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YEAR TO 31 MARCH 2003

14. RESERVES

Group	Unrestricted Funds £	Restricted Revenue Funds £	Restricted Capital Funds £	Total 2003 £	Total 2002 £
At beginning of year	659,302	-	1,697,640	2,356,942	2,215,312
Transfer between funds	-	-	-	-	-
Net Incoming Resources	71,448	-	(25,274)	46,174	141,630
At end of year	730,750	-	1,672,366	2,403,116	2,356,942

Company	Unrestricted Funds £	Restricted Revenue Funds £	Restricted Capital Funds £	Total 2003 £	Total 2002 £
At beginning of year	404,391	-	1,697,640	2,102,031	2,049,185
Transfer between funds	-	-	-	-	-
Net Incoming Resources	2,450	-	(25,274)	(22,824)	52,846
At end of year	406,841	-	1,672,366	2,079,207	2,102,031

Under the terms of a Deed of Covenant with the Commission for the New Towns, the Foundation would be required to refund £1,670,000 of the Restricted Capital Funds in the event that it disposes of its interest in the National Energy Centre prior to 17th August 2015 and fails to meet certain conditions concerning the disposal. It is not the intention of the Trustees to dispose of the National Energy Centre.

THE NATIONAL ENERGY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR TO 31 MARCH 2003

15. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

Group	Unrestricted Funds £	Restricted Revenue Funds £	Restricted Capital Funds £	Total 2003 £	Total 2002 £
Tangible Fixed Assets	251,856	-	1,672,366	1,924,222	1,870,372
Intangible Fixed Assets	5,904	-	-	5,904	5,904
Fixed Asset Investments	50,000	-	-	50,000	-
Current Assets	1,894,293	-	-	1,894,293	2,242,010
Less: Current Liabilities	1,216,672	-	-	1,216,672	1,557,366
Provision for liabilities and charges	2,951	-	-	2,951	-
Total Net Assets	982,430	-	1,672,366	2,654,796	2,560,920

16. MINORITY INTEREST IN EQUITY SHARES OF SUBSIDIARY

Minority interest included in note 15 is represented by:

	2003 £	2002 £
Tangible Fixed Assets	54,274	56,918
Intangible Fixed Assets	-	-
Fixed Asset Investments	18,530	-
Current Assets	565,604	700,208
Less: Current Liabilities	385,634	553,148
Provision for liabilities and charges	1,094	-
Total Net Assets	251,680	203,978

NOTES TO THE FINANCIAL STATEMENTS

YEAR TO 31 MARCH 2003

17. RECONCILIATION OF NET MOVEMENTS IN FUNDS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year to 31 Mar 02 £	Year to 31 Mar 02 £
Statement of Financial Activities:		
Net Movement in Funds	275,361	455,713
Investment income	(24,716)	(20,897)
Amortisation	-	11,667
Depreciation	137,423	106,097
(Profit) / loss on disposal of fixed assets	(5,485)	2,900
Decrease / (increase) in debtors	115,810	(207,717)
(Decrease) / increase in creditors	(365,996)	47,729
(Increase)/decrease in stock	(68,877)	-
Net cash inflow from operating activities	63,520	395,492

18. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2003 £	2002 £
(Decrease) / increase in cash in the period	(300,784)	154,624
Movement in net funds in the period	(300,784)	154,624
Net funds at 1 April 2002	819,728	665,104
Net funds at 31 March 2003	518,944	819,728

19. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Apr 2002 £	Cash flows £	At 31 Mar 2003 £
Net cash:			
Cash in hand and at bank	819,728	(300,784)	518,994
Net funds	819,728	(300,784)	518,994

THE NATIONAL ENERGY FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR TO 31 MARCH 2003

20. COMMITMENTS UNDER OPERATING LEASES

At 31st March each year the group and the company had annual commitments under non-cancellable leases as follows:

	2003		2002	
	Land & Buildings £	Other £	Land & Buildings £	Other £
Group				
Operating leases which expire:				
Within one year	-	7,020	-	-
In the second to fifth years	-	105,377	-	166,352
	<u>-</u>	<u>112,397</u>	<u>-</u>	<u>166,352</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Company				
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years	-	2,220	-	2,220
	<u>-</u>	<u>2,220</u>	<u>-</u>	<u>2,220</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

21. RELATED PARTY TRANSACTIONS

The National Energy Foundation is a company limited by guarantee and the Trustees consider that there is no controlling party.

During the year the group's surplus includes £23,799 (2002: £39,515) of income and £Nil (2002: £568) of expenditure from/to Milton Keynes Energy Agency, a non-profit company limited by guarantee established to carry out energy efficiency and renewable energy projects in the Milton Keynes region, and of which one of the Foundation's principal officers, Ian Byrne, is a Director. At the year end Milton Keynes Energy Agency owed the Foundation £63 including applicable VAT.

The company received £59,914 from National Energy Services in respect of rental income and contributions towards repairs and maintenance for its offices in the National Energy Centre, and paid National Energy Services £5,597 in respect of contributions to a group life cover scheme, vehicle hire and for the provision of postal services.