



ST. CLEMENTS SERVICES LIMITED

Report and Financial Statements

31 March 1998

**Deloitte & Touche
Verulam Point
Station Way
St Albans
Hertfordshire
AL1 5HE**





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**OFFICERS AND PROFESSIONAL ADVISERS****DIRECTORS****Directors**

A A Musto
E Anderson
B J H Paget
M G Chandler
K D Lee
D J Gardner
D A Lowe
D Harris
J R W Talbot
J L Over
R H Banks

Alternate Directors

M Hunter
A A Whiddett
P R Brown
G G Martin
P Edgington
S J Hargreaves
J N Sykes
P Chesterman
M D Mackey
V M Wright

SECRETARY

M Saunders

REGISTERED OFFICE

Daneholme House
Daneholme Avenue
Daventry
Northants
NN11 5LS

SOLICITORS

Herbert Smith
Exchange House
Primrose Street
London
EC2A 2HS

AUDITORS

Deloitte & Touche
Chartered Accountants
Verulam Point
Station Way
St Albans
Hertfordshire
AL1 5HE



DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 1998.

ACTIVITIES

The principal activities of the company are the provision of advice on the development and workings of the Pooling and Settlement Agreement and developments and support of IT systems to manage energy trading. These services are provided to Regional Electricity Companies ("RECs"), who are the shareholders, on a common basis and, for certain projects, to individual RECs or third parties as appropriate.

REVIEW OF THE YEAR

The company has played a significant part during the year in helping with the development of the trading arrangements for the 1998 competitive market in electricity supply.

The company successfully delivered the Meter Point Registration System to twelve of the Public Electricity Supply companies in October 1997 and has won a contract to provide support for this system for two years. The ECMS system has also been significantly enhanced and developed to equip it to work with the new trading arrangements.

Although the main focus of the company's efforts has been on the above services for its members, the company has continued to provide specialist reports for James Capel on developments in the Pool and 1998. There has been a very significant increase in work done for third parties compared with previous years, although efforts to win business in Australia were less successful than expected.

A very successful recruitment campaign means that some excellent new staff will be joining the Trading Development team between April and July 1998.

The company closed its London office early in the year, and has consolidated its operations and leased additional office space at Daventry.

In summary, the company has had a very busy and successful year and credit is due to all the staff who have worked hard throughout the year to contribute to this success.

RESULTS

The results for the year are shown in the profit and loss account on page 6.

The retained profit for the year of £235,613 (1997: £226,708) has been transferred to reserves.

DIVIDEND

The directors do not recommend the payment of a dividend (1997: £Nil).

YEAR 2000

The company does not have any bespoke software for its internal use and relies on package software and off-the-shelf hardware for its internal IT infrastructure. The company is working with its software and hardware suppliers to ensure that they have plans to supply Year 2000 compliant versions of their products in the timescales needed by the company. Neither the cost nor the risk of the year 2000 problem is seen as high.



DIRECTORS' REPORT

DIRECTORS

The directors serving at the present date are shown on page 1. None of the directors has any interest in the share capital of the company. The following appointments and resignations occurred during the year:

Name	Date of appointment	Date of resignation
B J H Paget	13 June 1997	
P R Brown	13 June 1997	
D G Titterton		13 June 1997
D Morrison		13 June 1997
R Tomiak		13 June 1997
D A Lowe	20 June 1997	
D P Brown		20 June 1997
S J Hargreaves	22 July 1997	
S P Halliday		22 July 1997
J E Russell		17 September 1997
V M Wright	17 September 1997	
S Gutteridge		30 September 1997
J A Keohane		5 November 1997
M Hunter	5 November 1997	
G P P Fenby Taylor		24 November 1997
R K Brown	24 November 1997	
R P Thompson		25 January 1998
R K Brown		10 March 1998
P Edgington	10 March 1998	
D J Gardner	17 March 1998	
M A Holmes		31 March 1998
E Anderson	1 April 1998	

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

D J GARDNER
Director

10 June 1998



STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 as at the end of the financial year and of the profit or loss of the company for that period. 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;
- 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. 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.



Chartered Accountants

Deloitte & Touche
Verulam Point
Station Way
St Albans
Hertfordshire AL1 5HE

Telephone: National 01727 839000
International + 44 1727 839000
Fax (Gp. 3): 01727 831111

ST. CLEMENTS SERVICES LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 6 to 13 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 the company's affairs as at 31 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE

Chartered Accountants and Registered Auditors

24 June 1998


PROFIT AND LOSS ACCOUNT
Year ended 31 March 1998

	Note	1998 £	1997 £
TURNOVER	2	24,243,287	10,090,664
Cost of sales		(21,636,112)	(7,917,563)
GROSS PROFIT		2,607,175	2,173,101
Administration expenses		(2,437,289)	(1,888,036)
OPERATING PROFIT	4	169,886	285,065
Other interest receivable and similar income	5	168,639	31,906
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		338,525	316,971
Taxation on profit on ordinary activities	6	(102,912)	(90,263)
RETAINED PROFIT FOR THE FINANCIAL YEAR		235,613	226,708
RETAINED PROFIT BROUGHT FORWARD		241,605	14,897
RETAINED PROFIT CARRIED FORWARD		477,218	241,605

All turnover and expenses are derived from continuing operations.

A Statement of Total Recognised Gains and Losses and a Statement of Reconciliation in Movements in Shareholders' Funds have not been prepared as there have not been any recognised gains and losses other than the profit for the current and preceding year.



BALANCE SHEET
As at 31 March 1998

	Note	£	1998 £	£	1997 £
FIXED ASSETS					
Tangible assets	7		446,013		285,671
CURRENT ASSETS					
Debtors	8	3,302,353		5,287,824	
Cash at bank and in hand		717,532		1,793,701	
		<u>4,019,885</u>		<u>7,081,525</u>	
CREDITORS: amounts falling due within one year	9	<u>(3,988,658)</u>		<u>(7,125,569)</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>31,227</u>		<u>(44,044)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>477,240</u>		<u>241,627</u>
CAPITAL AND RESERVES					
Called up share capital	11		22		22
Profit and loss account			477,218		241,605
EQUITY SHAREHOLDERS' FUNDS			<u>477,240</u>		<u>241,627</u>

These financial statements were approved by the Board of Directors on 10 June 1998

Signed on behalf of the Board of Directors

 - Director


CASH FLOW STATEMENT
Year ended 31 March 1998

	Note	1998	1997
		£	£
Net cash (outflow)/inflow from operating activities	14	(839,658)	1,690,672
Returns on investments and servicing of finance			
Interest received		168,639	31,906
		<u>168,639</u>	<u>31,906</u>
		168,639	31,906
Taxation			
UK corporation tax paid		(89,929)	(33,177)
Capital Expenditure			
Purchase of tangible fixed assets		(316,478)	(302,813)
Receipts from the disposal of tangible fixed assets		1,257	-
		<u>1,257</u>	<u>-</u>
		<u>(315,221)</u>	<u>(302,813)</u>
Cash (outflow)/inflow before management of liquid resources and financing		(1,076,169)	1,386,588
Management of liquid resources and Financing		-	-
(Decrease)/Increase in cash in the period	15	<u>(1,076,169)</u>	<u>1,386,588</u>

**NOTES TO THE ACCOUNTS**
Year ended 31 March 1998**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Fixed assets are stated at cost less depreciation.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Leasehold property	over the period of the lease
Oracle licence	over the period of the licence
Office refurbishment	over the period of the lease
Office equipment fixtures and fittings	10% to 33 1/3%

Leases

Rentals payable under operating leases are charged against operating profits by equal instalments over the period of the lease.

Deferred taxation

Deferred taxation is provided on timing differences arising from the different treatment of items for accounts and taxation purposes which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Pensions

The company made defined contributions to personal pension schemes for its employees, the contributions being charged to the profit and loss account in the period to which they relate.

2. TURNOVER

Turnover represents amounts invoiced by the company in respect of services provided during the year excluding Value Added Tax.

Turnover is derived wholly from the United Kingdom from the company's principal activity.


NOTES TO THE ACCOUNTS
Year ended 31 March 1998
3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

None of the directors received any remuneration in respect of their services in the current or prior year.

	1998 £	1997 £
Staff costs during the year were:		
Wages and salaries	1,072,303	786,408
Social security costs	112,010	72,333
Pension costs	96,489	72,654
	<u>1,280,802</u>	<u>931,395</u>
	No	No
Average number of persons employed (excluding directors)		
Technical	24	18
Administration	8	5
	<u>32</u>	<u>23</u>

4. OPERATING PROFIT

	1998 £	1997 £
Operating profit is after charging/(crediting):		
Depreciation	155,107	132,057
Auditors' remuneration		
audit	6,000	5,700
other services	2,650	2,500
Rentals under operating leases		
hire of plant and machinery	12,198	9,719
other operating leases	54,382	90,723
(Profit)/Loss on disposal of fixed assets	<u>(228)</u>	<u>19,890</u>

5. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	1998 £	1997 £
Interest receivable on bank deposits	<u>168,639</u>	<u>31,906</u>


NOTES TO THE ACCOUNTS
Year ended 31 March 1998
6. TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge for taxation is based on the profit for the year using a corporation tax rate of 31% (1997 - 33%).

	1998 £	1997 £
Corporation tax - charge for the year	102,912	89,929
Adjustment in respect of prior years	-	334
	<u>102,912</u>	<u>90,263</u>

7. TANGIBLE FIXED ASSETS

	Short leasehold £	Oracle licence £	Office refurbish- ment £	Office equipment, fixtures and fittings £	Total £
Cost					
At 1 April 1997	45,000	109,200	104,003	724,004	982,207
Additions	-	-	-	316,478	316,478
Disposals	-	-	-	(15,598)	(15,598)
At 31 March 1998	<u>45,000</u>	<u>109,200</u>	<u>104,003</u>	<u>1,024,884</u>	<u>1,283,087</u>
Accumulated depreciation					
At 1 April 1997	45,000	109,200	74,771	467,565	696,536
Charge for the year	-	-	6,062	149,045	155,107
Disposals	-	-	-	(14,569)	(14,569)
At 31 March 1998	<u>45,000</u>	<u>109,200</u>	<u>80,833</u>	<u>602,041</u>	<u>837,074</u>
Net book value					
At 31 March 1998	<u>-</u>	<u>-</u>	<u>23,170</u>	<u>422,843</u>	<u>446,013</u>
At 31 March 1997	<u>-</u>	<u>-</u>	<u>29,232</u>	<u>256,439</u>	<u>285,671</u>


NOTES TO THE ACCOUNTS
Year ended 31 March 1998
8. DEBTORS

	1998 £	1997 £
Trade debtors	3,236,993	5,203,949
Other debtors	24,549	14,948
Corporation tax recoverable	115	115
Prepayments	40,696	68,812
	<u>3,302,353</u>	<u>5,287,824</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Trade creditors	1,500,836	4,352,178
Other tax and social security	52,832	46,025
Accruals and deferred income	2,332,078	2,637,437
Corporation tax payable	102,912	89,929
	<u>3,988,658</u>	<u>7,125,569</u>

10. PROVISIONS FOR LIABILITIES AND CHARGES

The amounts of deferred taxation provided and unprovided in the accounts are:

	Provided		Unprovided	
	1998	1997	1998	1997
	£	£	£	£
Depreciation in excess of capital allowances	-	-	(34,186)	(45,253)

No deferred tax asset has currently been recognised.

11. CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised: 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, issued and fully paid: 22 ordinary shares of £1 each	<u>22</u>	<u>22</u>

The shares are held in equal proportions between the 11 shareholding RECs.

12. PENSIONS

The company makes contributions to defined contribution pension schemes for certain of its employees. Liability is limited to the premiums paid which are charged against profits in the year of payment. Funds are held separately from the company. Contributions paid for the year ended 31 March 1998 were £96,489 (1997: £72,654).


NOTES TO THE ACCOUNTS
Year ended 31 March 1998
12. LEASE OBLIGATIONS

At 31 March 1998 the company was committed to make payments under operating leases, as set out below:

	Land and buildings £	Other assets £
Operating leases which expire:		
Within one year	-	14,105
Over five years	58,000	-
	<u>58,000</u>	<u>14,105</u>

13. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	1998 £	1997 £
Operating profit	169,886	285,065
Depreciation	155,107	132,057
(Profit)/Loss on sale of tangible fixed assets	(228)	19,890
Decrease/(Increase) in debtors	1,985,471	(4,414,959)
(Decrease)/Increase in creditors	(3,149,894)	5,668,619
Net cash (outflow)/inflow from operating activities	<u>(839,658)</u>	<u>1,690,672</u>

14. ANALYSIS OF CHANGES IN NET FUNDS

	1998 £	1997 £	Cash flow in the year £
Cash at bank and in hand	<u>717,532</u>	<u>1,793,701</u>	<u>(1,076,169)</u>