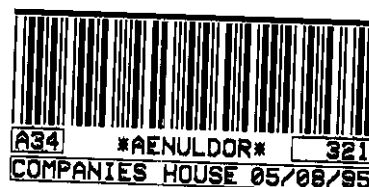


THE ENERGY SAVING TRUST LIMITED
Registered Number 2622374

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 1995



THE ENERGY SAVING TRUST LIMITED

CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 MARCH 1995

1994/95 has been a challenging year for the Trust, dominated by controversy over the funding of energy efficiency schemes via the gas E-Factor and redeemed by considerable success with electricity schemes.

At the time of our last report, the Director General of Gas Supply decided to withdraw the E-Factor criteria, along with the majority of our gas funding. Revised E-Factor criteria finally appeared in November 1994 and these presented a significant departure from those previously in place. OFGAS's emphasis is now on developing a limited number of pilot projects to test-market the delivery of demand-side energy services, and subsidy schemes are now excluded; instead the Director General envisages E-Factor money going towards marketing or other start-up scheme costs for projects which are otherwise self-sustaining.

Through no fault of our own, successful subsidy schemes (such as for gas condensing boilers) cannot now continue and as a result, we have been unable to meet many of the gas scheme targets we set in last year's business plan.

Even so, the Trust has had a productive year. Our programme managers have developed a number of innovative national schemes for the electricity Standards of Performance in energy efficiency, whilst the electricity companies themselves have also brought forward a wide-ranging portfolio of local schemes. The Local Energy Advice Centre network continues to expand, and four new centres have opened this year, bringing the total to 31. One of these is in Belfast, and reflects our desire to strengthen our links with Northern Ireland.

These successes were, I feel, influential to the Government in its positive response to the Trust in the first half of 1995. In February, it took steps to assure the Trust's future by providing core funding from 1 April 1995. This was followed in early May with the announcement from the Secretary of State for the Environment that the Government would boost energy efficiency funding by making up to £25 million a year of programme expenditure available to the Energy Saving Trust from April 1996 until the gas and electricity markets are fully liberalised. This will help the UK maintain the strong lead it has established internationally in the area of climate change.

In addition to expressing my gratitude to the Government for its support, I should also like to thank our other owners, the electricity companies of England, Scotland and Wales, and British Gas for standing by us in a number of ways during the difficult times. In particular, the Trust has benefited from the expertise of a number of secondees that have been provided by our owners, each of whom have made valuable contributions.

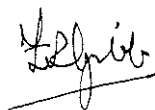
THE ENERGY SAVING TRUST LIMITED

CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 MARCH 1995 (CONTINUED)

The Trust is now working on a number of new and innovative ideas to promote the efficient use of energy at a time of increasing competition in the gas and electricity industries. The new money being made available from next year will enable us to propose pump-priming schemes to take advantage of and enhance the effectiveness of the developing competitive markets for energy and energy services.

In my view the Trust is uniquely placed to be the catalyst that sparks substantial energy savings in the UK and we are looking forward to working with existing and new partners to achieve this objective.

Sir Frank Gibb



21 July 1995

THE ENERGY SAVING TRUST LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1995

The directors present their report and financial statements for the year ended 31 March 1995. The comparatives are for the 3 month period to 31 March 1994.

PRINCIPAL ACTIVITY

The Trust's mission statement sets out its principal goal as the "...efficient use of all forms of energy in the UK, leading to an overall reduction in total energy consumption and its consequent environment impact." The organisation's current strategy is to actively promote energy efficiency in both the domestic and SME sectors, thereby continuing to support the Government's climate change and sustainable growth targets.

REVIEW OF THE BUSINESS

1994/95 was at times a frustrating and unsettled year. Despite this the Trust consolidated its good working relations with each of its seventeen original members and welcomed the addition of one new member in the form of the Secretary of State for Northern Ireland. The Trust launched four new pilot energy saving schemes, two of which were aimed at the non-domestic markets. Key achievements and events included:

- Development of the Local Energy Advice Centres project across UK to achieve 31 centres, including one in Belfast.
- First national conference for Local Energy Advice Centres held at Durham.
- A second successful low energy lamp promotion in association with the Regional Electricity Companies, lighting manufacturers and national retail chains.
- A successful low energy lamp promotion in association with the government sponsored HEES programme.
- The definition by the Trust of Standards of Performance in energy efficiency for the Regional Electricity Companies in Scotland.
- Withdrawal and subsequent issue of revised E-Factor criteria which excluded subsidy schemes and resulted in the rejection of a portfolio of pilot energy efficiency schemes by the regulator for gas.
- The Government assured the Trust's future by providing core funding from 1 April 1995.
- Announcement by the Government that its funding of energy efficiency would be boosted by investing £25 million per year through the Trust to develop and promote innovative energy efficiency schemes.

THE ENERGY SAVING TRUST LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1995 (CONTINUED)

RESULTS AND DIVIDENDS

The profit and loss account is set out on page 8.

As a company limited by guarantee, the company is prohibited from declaring or paying dividends to its members.

The loss for the period of £297,156 has been transferred from reserves.

FUTURE DEVELOPMENTS

In 1994/95, the Trust oversaw in excess of £4.6 million of investment in energy saving schemes and evaluated and obtained Offer's approval in respect of a further £9.8 million of schemes on behalf of the Regional Electricity Companies, under the Standards of Performance.

The approach to electricity efficiency schemes of adopting a flexible framework for scheme management, ie national schemes, national framework schemes and regional schemes, has successfully demonstrated that as a result, environmental and financial gains are maximised. In 1995/96 and the following year the Trust will be looking to extend, from its 1994/95 base, scheme availability to a wider range of domestic and non-domestic customers and covering a greater range of technologies/end uses.

The revised E-Factor criteria means that the funding available under the E-Factor gas schemes will be much less than previously envisaged. However, we are confident that some schemes will progress during the forthcoming year particularly "Energy in Partnership". This is a loan finance scheme developed by the Trust and British Gas and aimed at owner occupiers.

With funding for 1995/96 secure, and the injection by the Government of an extra £25 million per annum for Trust energy efficiency projects, the Trust is well placed to expand its activities to other energy sectors including industry and transport. The Trust plans to expand its role through projects to raise awareness of energy efficiency and the development of a mechanism for the delivery of energy advice to the customer.

The Trust aims to develop its pivotal role in working with the energy market and is admirably placed to develop its working relations with both public and private sectors, whilst contributing to future UK and EC policy development in energy efficiency.

THE ENERGY SAVING TRUST LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1995 (CONTINUED)

DIRECTORS AND THEIR INTERESTS

The directors who have served during the year are as follows:

Sir F Gibb	(Chairman)
Lord Moore of Lower Marsh	
Dr EW Lees	(Chief Executive)
HR Casley	
MG Faulkner	
JK Lillicrap	(Resigned 25 April 1994)
The Rt Hon Dr D Mabon	
JG Potter	
U Prashar	
MR Alexander	
R Leonard	(Appointed 25 April 1994)

Lord Moore of Lower Marsh resigned as Chairman on 23 June 1995 and became Honorary President from that date.

None of the Directors held any beneficial interests in the shares of the company at the beginning (or date of appointment if later) or at the end of the year.

Dr EW Lees is the sole executive director.

EMPLOYMENT POLICIES

It is the policy of the Trust that there should be no unfair discrimination in considering applications for employment, including those from disabled persons. Should any employee become disabled every practical effort is made to provide continued employment.

The directors are committed to maintain and develop communication and consultation procedures with employees, who in turn are encouraged to become aware of and involve themselves in the performance of their own company.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which 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 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;

THE ENERGY SAVING TRUST LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1995 (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

- state whether applicable 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 (see below).

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 1985. 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.

GOING CONCERN BASIS

The directors have sought advice and considered recently issued guidance on the adoption of the going concern basis for the preparation of the Trust's financial statements for the year ended 31 March 1995.

In approving the adoption of the going concern basis, the directors assessed the cash flow projections prepared for the financial year 1995/96 and such projections as were available for the following financial year, allowing them to assess whether the Trust would continue to operate for a period of at least 12 months from the date of approval of the financial statements.

Having considered these projections and their knowledge of the current situation in connection with the Government and other contributors to the Trust's activities, they formed the opinion that there are reasonable grounds for drawing up the financial statements on a going concern basis.

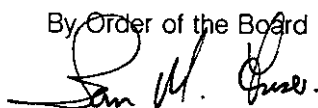
FIXED ASSETS

Movements in fixed assets are shown in note 6 to the financial statements.

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board



I M Fraser
Secretary

21 July 1995

Registered Office:
11/12 Buckingham Gate
London SW1E 6LB

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS' OF THE ENERGY SAVING TRUST LIMITED

We have audited the financial statements on pages 8 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on pages 5 and 6 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 1995 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors
London

21 July 1995

THE ENERGY SAVING TRUST LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1995

	Notes	Year ended 31 March 1995 £	3 month period to 31 March 1994 £
TURNOVER	1	884,276	112,926
Administration expenses		(1,243,005)	(243,327)
OPERATING LOSS		(358,729)	(130,401)
Interest receivable and similar income		<u>61,573</u>	<u>4,303</u>
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION	2	(297,156)	(126,098)
RETAINED LOSS BROUGHT FORWARD		<u>(653,677)</u>	<u>(527,579)</u>
RETAINED LOSS CARRIED FORWARD		<u>(950,833)</u>	<u>(653,677)</u>

The company has no recognised gains and losses other than those included above, and therefore no separate statement of total recognised gains and losses has been presented.

The results shown above are stated under the historical cost convention and therefore represent the historical cost loss without the need for any adjustment.

The notes on pages 11 to 16 form part of these financial statements.