

THE ENERGY SAVING TRUST LIMITED
Registered Number 2622374

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2000



The Energy Saving Trust Limited

Directors' Report for the Year Ended 31 March 2000

The Directors present their report and financial statements for the year ended 31 March 2000.

Principal Activity

The Energy Saving Trust is a non-profit distributing company set up by the Government and major energy companies. It was established as part of the Government's action plan in response to the 1992 Earth Summit in Rio de Janeiro, which addressed world-wide concerns on environmental issues such as climate change and global warming. It is the UK's leading organisation working, with a range of partners, to deliver energy efficiency for domestic consumers. The Trust has been operational since 1993.

Vision

The Trust's vision is "Working through partnerships towards the sustainable and efficient use of energy".

The Trust's current priorities are:

- Above all, to stimulate energy efficiency in U.K. households and achieve social, environmental and economic benefits;
- To create a market for clean fuel vehicles to deliver local and global environmental benefits;
- To make a difference through energy efficiency programmes targeted at small businesses, schools and business lighting; and
- To encourage consumers to use credible renewable energy supplies.

Membership

During 1999/2000 the Trust continued to build relationships with the major energy suppliers and generators. Current members are:

The Secretary of State for the Environment, Transport and the Regions
The First Minister for Scotland
The Secretary of State for Northern Ireland
The National Assembly for Wales
Amerada Hess
British Gas Trading
Calor Gas
Elf Gas and Power
London Electricity
Manweb
Midlands Electricity
National Power
Northern Electric
Northern Ireland Electricity
NORWEB
Phoenix Natural Gas
PowerGen/PowerGen Energy
ScottishPower
Scottish and Southern
SEEBOARD
SWALEC

• South Western Electricity
Transco
• TXU-Europe
Yorkshire Electricity
Western Power Distribution

Directors & Corporate Governance

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

Mr. Peter Lehmann	(Chairman - appointed 1 April 1999)
Sir Frank Gibb	(Chairman - resigned 1 April 1999)
Dr. Eoin Lees	(Chief Executive)
Mr. Jim Potter MBE	
Mr. Michael Alexander	
Mr. John Kent	(Resigned 25 November 1999)
Mr. Edward Hyams	
Sir John Harman	
Mr. William Landels	(Resigned 23 September 1999)
Dame Helena Shovelton	
Mr. Kenneth Vowles	(Appointed 25 November 1999)

There have been no resignations or new appointments since the balance sheet date.

Being a company limited by guarantee, there were no issued shares in which any director had an interest at any time during the year.

The Company is headed by the Board of Directors which leads and controls the Company overall. It meets regularly and there is a schedule of matters that require its approval. The Board supports and complies with the principle of separating the roles of Chairman and Chief Executive. At 31 March 2000, in addition to the Chairman and Chief Executive, there were three Directors nominated by members (one by British Gas Trading and two by the former Public Electricity Supply Companies) and three independent Directors. The Chief Executive is the sole Executive Director.

This year the Board established an Audit and General Purposes Committee to which it has delegated certain responsibilities principally regarding the maintenance of the highest standards in internal control, corporate governance and financial accountability. This Committee meets regularly and reports to the meetings of the Board of Directors. It consists of Dame Helena Shovelton (Chair), Mr. Jim Potter, Mr. Michael Alexander and Mr. Edward Hyams.

Review of the Business

The Trust's turnover increased to £32 million for the year ended 31 March 2000 (1999: £25 million). The Government increased its funding of the Trust to £24.5 million (1999: £19m). The remainder of turnover is made up of £5 million (1999: £3.7m) from the energy companies under the Energy Efficiency Commitment and £2.5 million (1999: £2.3m) from other sources.

The Energy Saving Trust Limited

Directors' Report for the Year Ended 31 March 2000 (contd.)

Programmes funded under the Energy Efficiency Commitment

1999-2000 was the last year of SoP2, the second phase of the electricity Standards of Performance (replaced for 2000-2002 by the Energy Efficiency Commitment – described here as EEC3).

In addition to having developed the Standards and then evaluating the individual Public electricity suppliers' (PES) performance, the Trust has continued to develop and implement national projects on behalf of the electricity companies. Efforts have focused on energy efficient appliances and building sustainable working partnerships with manufacturers, retailers and electricity suppliers. As a result, the Trust delivered a comprehensive portfolio of projects which have promoted the take-up of just under 120,000 appliances in total. Successful schemes on refrigeration have been run first with Comet and subsequently with Curry's. This was the first time that such significant national appliance sellers have been involved in promoting energy efficiency.

EEC3 will extend the commitment to gas suppliers and increase the funding level to £1.20 per customer. We believe that this would not have happened without the good track record of the Trust over the past few years and the Trust's role in arguing for these policies and in dealing - in co-operation with partners - with some of the practical implementation issues.

Programmes funded by the Government: Department of Environment, Transport and the Regions ("DETR") and Scottish Executive

With devolution, this year the Scottish Executive took over their share of the Trust's energy efficiency funding which previously had been solely controlled by the DETR. The Trust now has personnel co-located with key Government partners in Scotland, Wales and Northern Ireland. In addition to the funds coming from the Environment section of DETR the Trust also secured this past year £2 million additional funding from the Transport section.

The activities continued to expand the Trust's five key areas:

- The Energy Efficiency marketing initiative;
- Providing energy efficiency advice through Energy Efficiency Advice Centres;
- Stimulating energy efficiency markets;
- Devising and implementing innovative delivery mechanisms, and
- Powershift, the Trust's clean-fuelled vehicles programme.

A significant new initiative has been the *Energy Efficiency Partnership for Homes* which was formally launched in March 2000 though in development for the previous 18 months. This will create a long-term framework for implementing energy efficiency. During the past year over two hundred organisations and individuals have joined the Partnership and are working in a series of sector working groups. The Partnership will provide a mechanism for all parties with an interest in domestic energy efficiency and in combating fuel poverty - whether commercial, environmental or social - to do business more profitably and achieve their objectives more effectively.

The Energy Saving Trust Limited

Directors' Report for the Year Ended 31 March 2000 (contd.)

The Trust's Government funded programmes continued to build on the success of previous years. The following areas are worthy of particular note. The Energy Efficiency Advice Centre network has now grown to nearly 50 centres. New service level agreements have transformed relationships and achieved improved performance. A central database system has been implemented to support and improve service. *HECAAction*, a competition to encourage local authorities to meet their Home Energy Conservation Act obligations, had another high profile year with now over 60% of energy conservation authorities involved with the programme. *Lightswitch*, promoting the benefits of energy efficient lighting in the non-domestic sector, properly established itself this year working in close partnership with the lighting industry. The Installer Network has achieved nationwide coverage and training workshops have been piloted. The Controls Rebate has delivered £328,000 in rebates to 173 small businesses and schools.

This past year was one of particular success for the Trust's Transport Group. Its main focus since it was set up in 1996 has been the *Powershift* programme. This exists to stimulate the market for clean fuel vehicles and so improve both global and local air quality. In its first three years, *Powershift* achieved its initial objective of stimulating orders for '1,000 vehicles in 1,000 days' and in 1999-2000 helped to fund orders for around 1800 vehicles placed by over 450 separate organisations across public and private sectors. The past year also saw the full establishment of the *Powershift Register*, an approved list of vehicles and conversions, which serves as a powerful buyers' guide for aspiring vehicle purchasers. The success of the *Powershift* programme has led to a three-fold increase in the *Powershift* budget - to around £10m - for the coming year (2000-2001) which will help to fund a further upsurge in the market, particularly for vehicles running on LPG and a new generation of petrol/electric hybrids. In addition, in the coming year the Trust's transport division will also launch a new £6m programme aimed at cleaning up the emissions of older, urban vehicles, particularly buses and taxis.

Other Programmes

In July 1999, the Trust launched *Future Energy*, a DTI-backed renewable energy accreditation scheme - the first of its kind in the UK. This was in response to growing demand from customers for more environmentally friendly electricity and the introduction of renewable energy tariffs from electricity suppliers to meet this demand. *Future Energy* audits these tariffs in order to provide reassurance to customers that signing up to an accredited renewable energy tariff will have a positive environmental impact. At the beginning of 1999, there were only 3 companies with an environmental payment scheme - now there are 13 *Future Energy* suppliers, offering between them 16 different schemes for both domestic and non-domestic customers.

The Energy Saving Trust Limited

Directors' Report for the Year Ended 31 March 2000 (contd.)

Results and Dividends

The profit and loss account is set out on page 9 and shows the result for the year.

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

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 maintaining and developing 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.

Quality

The Trust's commitment continually to improve its internal management systems, as well as relationships with customers and partners, was rewarded in November 1999 when the Trust's Quality Management System was formally certified to comply with the international standard ISO 9002.

Environmental Policy

Trust staff are committed to minimising the environmental impact of their own activities and actively look for new ways to save energy and be environmentally-conscious. The Trust's internal Environmental Policy and Action Plan seeks to reduce our environmental impact in three key areas: the use of our buildings (heating/cooling, lighting, energy, air quality), transport and resource consumption/purchasing. Some of the ideas that have been introduced during the past year include an interest free loan being made available to staff to help with a bike purchase and lighting controls being installed in the Trust's London office to allow zoned lighting.

The Energy Saving Trust Limited

'Directors' Report for the Year Ended 31 March 2000 (contd.)

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;
- 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 guidance on the adoption of the going concern basis for the preparation of the Trust's financial statements for the year ended 31 March 2000.

In approving the adoption of the going concern basis, the directors assessed the cashflow projections prepared for the financial year 2000/01 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.

The Energy Saving Trust Limited

'Directors' Report for the Year Ended 31 March 2000 (contd.)

Auditors

A resolution recommending the re-appointment of BDO Stoy Hayward as auditors will be proposed at the Annual General Meeting.

By Order of the Board

A handwritten signature in black ink, appearing to read 'M Twigger-Ross', written in a cursive style.

M Twigger-Ross
Secretary

4 July 2000

Registered Office:

21 Dartmouth Street
London
SW1H 9BP

Auditors' Report to the Members of the Energy Saving Trust Limited

We have audited the financial statements on pages 9 to 19, which have been prepared under the historical cost convention and the accounting policies set out on pages 13 and 14.

Respective responsibilities of Directors and Auditors

As described on page 6 the company's Directors are responsible for the preparation of the 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 2000 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO Stoy Hayward
*Chartered Accountants
and Registered Auditors*

Epsom, Surrey

4 July 2000

The Energy Saving Trust Limited

Profit and Loss Account for the Year Ended 31 March 2000

	Note	2000	1999
		£'000s	£'000s
Turnover	1	32,053	24,982
Cost of Sales		(29,403)	(22,638)
Gross Profit		<u>2,650</u>	<u>2,344</u>
Administrative expenses		(2,781)	(2,617)
Operating Loss		<u>(131)</u>	<u>(273)</u>
Interest receivable and similar income		109	152
Loss on Ordinary Activities before and after Taxation	2	<u>(22)</u>	<u>(121)</u>
Retained Loss Brought Forward		(1,571)	(1,450)
Retained Loss Carried Forward		<u>(1,593)</u>	<u>(1,571)</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.

All amounts relate to continuing activities.

The notes on pages 13 - 19 form part of these financial statements.

The Energy Saving Trust Limited

Statement of Movements in Members' Funds for the Year Ended 31 March 2000

	Note	2000 £'000s	1999 £'000s
Loss for the year		(22)	(121)
Introduction of members' capital	10	400	423
Net addition to members' funds		<u>378</u>	<u>302</u>
Opening members' funds		1,732	1,430
Closing members' funds		<u>2,110</u>	<u>1,732</u>


The notes on pages 13 - 19 form part of these financial statements.

The Energy Saving Trust Limited

Balance Sheet as at 31 March 2000

	Note	2000 £'000s	1999 £'000s
Tangible Fixed Assets	6	<u>256</u>	<u>239</u>
Current Assets			
Stocks: Net Work in Progress	7	297	535
Debtors	8	3,268	3,004
Cash at bank and in hand		3,147	2,856
		<u>6,712</u>	<u>6,395</u>
Creditors - Amounts Falling due within One Year	9	(4,858)	(4,902)
Net Current Assets		<u>1,854</u>	<u>1,493</u>
Total Assets Less Current Liabilities		<u>2,110</u>	<u>1,732</u>
Capital & Reserves			
Members' Capital	10	3,703	3,303
Profit and Loss Account		(1,593)	(1,571)
Members' Funds	11	<u>2,110</u>	<u>1,732</u>

Approved by the Board on 4 July 2000 and signed on its behalf by:



Peter Lehmann



Eoin Lees

Directors

The notes on pages 13 to 19 form part of these financial statements.

The Energy Saving Trust Limited

Cashflow Statement for the Year Ended 31 March 2000

	Note	2000 £'000s	1999 £'000s
Net Cash Inflow/(Outflow) from Operating Activities	14(1)	<u>1,057</u>	<u>(4,569)</u>
Returns on Investments and Servicing of Finance			
Interest received		<u>109</u>	<u>152</u>
Capital Expenditure			
Payments to acquire tangible fixed assets		(149)	(257)
Sale of tangible fixed assets		1	1
Net cash outflow from capital expenditure		<u>(148)</u>	<u>(256)</u>
Cash inflow/(outflow) before financing		1,018	(4,673)
Financing			
Members' capital introduced		400	423
Increase/(Decrease) in net cash		<u>1,418</u>	<u>(4,250)</u>
Reconciliation of net cash flow to Movement in Net Funds (Note 14)			
Increase/(Decrease) in net cash	14(2)	1,418	(4,250)
Net Funds at 1 April		1,729	5,979
Net Funds at 31 March	14(2)	<u>3,147</u>	<u>1,729</u>

The notes on pages 13 to 19 form part of these financial statements.

The Energy Saving Trust Limited

Notes to the Financial Statements - 31 March 2000

1. Accounting Policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The following accounting policies have been applied consistently during both the current and the previous years.

Turnover

Turnover represents all grant income and invoiced services receivable in the period net of value added tax together with an appropriate proportion of income from long-term contracts as described below.

Fixed Assets

Fixed assets are shown in the financial statements at cost less attributable depreciation. The rates of depreciation applied are estimated to reduce the cost of the asset to its residual value over its useful economic life and are as follows:

Leasehold Improvement	-	Minimum Lease Term
Computer Equipment	-	40% per annum straight line
Fixtures and Fittings	-	20% per annum straight line

Work in progress & long-term contracts

Work in progress is stated at the lower of cost, including all relevant overhead expenditure, and net realisable value.

Long-term work in progress is stated at cost, after deducting foreseeable losses and attributable payments received on account. Payments received on account of work in progress are shown as a deduction from gross work in progress; payments received on account in excess of the carrying value of the relevant work in progress are included in creditors.

Turnover derived from long-term contracts is stated at cost appropriate to the stage of completion plus attributable profits less amounts recognised in prior years. Profit attributable to the stage of completion of long-term contracts is recognised when the outcome of the work can be foreseen with reasonable certainty. Provision is made for any losses which are foreseen.

The Energy Saving Trust Limited

Notes to the Financial Statements - 31 March 2000 (contd.)

1. Accounting policies (Continued)

Deferred Taxation

Deferred taxation arising from excess capital allowances, unrelieved losses and other timing differences is provided for to the extent that it is probable that an asset or liability will arise.

Pensions

The Trust makes contributions directly to the providers of employees' personal pension schemes. Contributions are charged in the profit and loss account when payable.

Operating Leases

Amounts payable in respect of operating leases are charged in the profit and loss account as they fall due for payment.

2. Loss on Ordinary Activities before and after Taxation

This is stated after charging the following amounts:

	2000 £'000s	1999 £'000s
Auditors' remuneration - audit services	20	20
- non audit services	1	-
Loss on disposal of fixed assets	8	26
Depreciation	123	72
Rentals payable under property leases	120	113

The Energy Saving Trust Limited

Notes to the Financial Statements - 31 March 2000 (contd.)

3. Staff Costs (excluding Directors)

	2000 £'000s	1999 £'000s
Wages and Salaries	1,258	926
Social Security costs	132	92
Pension costs	69	73
	<u>1,459</u>	<u>1,091</u>

The average monthly number of employees, excluding Directors, in the year is 48 (1999: 36).

4. Directors' Emoluments

	2000 £'000s	1999 £'000s
Aggregate Emoluments	166	150
Company contributions to money purchase pension schemes	8	16
Total	<u>174</u>	<u>166</u>

Retirement benefits under money purchase pension schemes are accruing to one Director (1999: one).

Those Directors representing British Gas and the Public Electricity Suppliers receive no emoluments as Directors.

5. Taxation

No charge to corporation tax arises on the result for the year (1999: £ Nil). The company has losses available to carry forward of approximately £1.3 million subject to the agreement of the Inland Revenue.

The Energy Saving Trust Limited

Notes to the Financial Statements - 31 March 2000 (contd.)

6. Tangible Fixed Assets

	Leasehold Improvements £'000s	Computer Equipment £'000s	Fixtures and Fittings £'000s	Total £'000s
Cost				
At 1 April 1999	92	130	123	345
Additions	11	123	15	149
Disposals	-	(49)	-	(49)
At 31 March 2000	103	204	138	445
Depreciation				
At 1 April 1999	14	52	40	106
Charge for year	21	76	26	123
Disposals	-	(40)	-	(40)
At 31 March 2000	35	88	66	189
Net Book Amount				
At 31 March 2000	68	116	72	256
At 31 March 1999	78	77	84	239

7. Stocks: Net Work in Progress

	2000 £'000s	1999 £'000s
Gross work in progress	3,491	1,017
Payments received on account	(3,194)	(482)
	297	535

Work in progress includes the following amounts in respect of long-term contracts:

	2000 £'000s	1999 £'000s
Net cost less foreseeable losses	3,491	765
Payments received on account	(3,194)	(482)
	297	283

The Energy Saving Trust Limited

Notes to the Financial Statements - 31 March 2000 (contd.)

8. Debtors

	2000 £'000s	1999 £'000s
Loans	562	427
Trade debtors	1,287	1,333
Value Added Tax	859	523
Other debtors and Prepayments	560	721
	<u>3,268</u>	<u>3,004</u>

All amounts are due within one year with the exception of £365,000 of loans due within 2-5 years. The loans are interest free and made as part of Government funded loan schemes operating in Northern Ireland and Scotland.

9. Creditors: Amounts falling due within one year

	2000 £'000s	1999 £'000s
Bank Overdrafts	-	1,127
Trade Creditors	2,349	1,854
Payments on account	478	157
Taxation and Social Security	51	-
Accruals and deferred income	1,081	1,037
Loan Fund	899	727
	<u>4,858</u>	<u>4,902</u>

10. Members' Capital

	£'000s
Balance at 1 st April 1999	3,303
Members' capital introduced in the year	400
Balance at 31 st March 2000	<u>3,703</u>

Each member of the Trust undertakes to contribute to the arrears of the company in the event of the company being wound up to a maximum of £1 per member. At 31 March 2000 there were 27 members (1999: 27).

The Energy Saving Trust Limited

Notes to the Financial Statements - 31 March 2000 (contd.)

11. Members' Funds

The Trust maintains separate funds in respect of funding from the Government, from the Public Electricity Suppliers under the Standards of Performance and in respect of certain Energy Efficiency loan funds. An analysis of the balance sheet between these funds is as follows:

	General Funds £'000s	Govt. Funds £'000s	SoP Funds £'000s	Loan Funds £'000s	Total £'000s
Fixed Assets	256				256
Stocks	-		297		297
Debtors	346	1,750	610	562	3,268
Cash	2,122	981	(292)	336	3,147
Creditors	(614)	(2,731)	(615)	(898)	(4,858)
Net Assets	2,110	-	-	-	2,110

12. Financial Commitments

	2000 £'000s	1999 £'000s
Annual commitments in respect of operating leases on office premises which expire:		
Between two and five years	123	123

13. Deferred Taxation

There is no deferred taxation provision to be made (1999: £ Nil) under the terms of the accounting policy set out in note 1.

The Energy Saving Trust Limited

Notes to the Financial Statements - 31 March 2000 (contd.)

14. Notes to the Cashflow Statement

1) Reconciliation of Operating Loss to Net Cash Inflow/(Outflow) from Operating Activities

	2000 £'000s	1999 £'000s
Operating loss	(131)	(273)
Depreciation charges and result of disposals	131	98
Decrease in stocks	238	210
Increase in debtors	(264)	(405)
Increase/(Decrease) in creditors	1,083	(4,199)
Net cash inflow/(outflow) from operating activities	<u>1,057</u>	<u>(4,569)</u>

2) Analysis of Changes in Net Funds

	At 1 April 1999 £'000s	Cashflows £'000s	At 31 March 2000 £'000s
Cash in hand, at bank	2,856	291	3,147
Bank Overdrafts	(1,127)	1,127	-
Total	<u>1,729</u>	<u>1,418</u>	<u>3,147</u>

15. Going Concern Basis

The Directors have considered and approved the adoption of the going concern basis in the preparation of these financial statements. The adoption of this basis is dealt with in the Directors' report.