

THE ENERGY SAVING TRUST LIMITED
Registered Number 2622374

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 1997



THE ENERGY SAVING TRUST LIMITED

CHAIRMAN'S REPORT FOR THE YEAR ENDED 31 MARCH 1997

The Energy Saving Trust continues to make good progress in developing and managing schemes which use energy more efficiently and give economical and environmental benefits.

The highlight of 1996/7 was the Trust's investment of £25 million of Department of the Environment (DoE) funding in a range of energy efficiency schemes, led by the "Energy Efficiency" marketing initiative. It was a considerable achievement during last year to deliver the full investment programme from a standing start. Each programme needed development consultation with interested partners and approval from the DoE, then the implementation and management of schemes. Significantly, an additional £100 million will be invested in these schemes by manufacturers, installers, retailers, local authorities, charities, other organisations and end customers - a clear indication of the value and effectiveness of the Trust's partnership approach. We would like to thank all our partners in the various activities undertaken, and all the Staff of the Trust for their sterling efforts in a difficult year. 1996/7 also saw the successful continuation of the Trust's work under the Standards of Performance with the Public Electricity Suppliers (PESs) and the Office of Electricity Regulation (OFFER), as well as a number of other important initiatives.

Looking to the future, the increasingly competitive nature of the UK energy market will present the Trust with many new challenges as it pursues its goals. The Trust will continue to take every opportunity to influence policy makers to take energy efficiency into consideration when making their decisions. It will also seek to capitalise on the growing interest being shown in energy efficiency by manufacturers, installers and retailers, recognising that global warming could affect their futures. In this context, the Trust has already established a basis from which substantial energy efficiency benefits will be realised.



Sir Frank Gibb
17 July 1997

THE ENERGY SAVING TRUST LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1997

The directors present their report and financial statements for the year ended 31 March 1997.

PRINCIPAL ACTIVITY

The Energy Saving Trust was established by the Government and the energy companies as part of the Government's response to increasing concerns over the environmental effects of energy consumption, including global warming. The company has been operational since 1993.

The Trust's objective is the efficient use of all forms of energy in the UK, leading to an overall reduction in its consequential environmental impact. In working to improve the efficient use of energy, the Trust's intention is for its activities to bring economic benefits to individual consumers as well as the nation as a whole, whilst also underpinning the key concept of sustainable development.

REVIEW OF THE BUSINESS

Programmes funded under the Standards of Performance

1996/97 saw substantial progress achieved by OFFER's continuing Standards of Performance (SoP) initiative, which is helping electricity consumers benefit directly from energy efficiency. The initiative involves the 14 PESs of England, Scotland and Wales raising an allowance of £1 per customer to spend on electricity-saving schemes. The Trust has a key role to evaluate regional projects, develop and manage national schemes on behalf of the PESs and generally ensure that new and exciting ways of using electricity efficiently are put into effect.

By the end of this, the third year of the initiative, OFFER and the Trust had approved more than 380 projects with total lifetime electricity savings of over 5,400 Gigawatt-hours (GWh)- well on the way towards the total PES target of 6,100 GWh. These projects, which will also prevent the emission of over 1.5 million tonnes of carbon, involve £76 million of PES investment and over £37 million of "gearing" from consumers, Local Authorities and other third parties. More than 6 million individual energy efficiency measures have been carried out to date as a result of SoP projects.

The effectiveness of the schemes is clear. Consumers benefit by £5 for every £1 of programme investment. Moreover, the projects continue to prove that energy efficiency can be more cost-effective than energy supply. The average cost of saving each kilowatt-hour (kWh) through the SoP is 1.7p, compared with the 3.8 p/kWh which is the average price at which the PES's purchase electricity.

Partnerships forged by the Trust with charities, manufacturers, retailers, trade bodies and other organisations, alongside regional initiatives run by the individual PESs, have helped ensure the ongoing success of the SoP initiative.

THE ENERGY SAVING TRUST LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1997 (CONTINUED)

REVIEW OF THE BUSINESS (Continued)

Programmes funded by the Department of the Environment

The Trust is investing over £71 million of DoE funds over four years to ensure the development of self-sustaining markets in energy efficient goods and services for small energy users. In 1996/97, the DoE provided the Trust with £25 million to invest in initiatives. £19 million will be made available in 1997/98, to be targeted at domestic energy users, with £13.5 million expected in 1998/99 and £14 million in 1999/2000. The Trust has already used DoE funding to lay firm foundations in five areas:

- the "Energy Efficiency" marketing initiative.
- Energy Efficiency Advice Centres.
- awareness raising.
- working with the market to promote energy efficient products and services.
- road transport.

The aim for 1997/98 and beyond is to build on the good work undertaken to date and so ensure that markets for energy efficiency develop as UK energy markets as a whole become fully competitive.

1996/97 saw the successful launch of "Energy Efficiency", a long-term programme for the national branding and marketing of energy efficiency in the UK. The "Energy Efficiency" brand ensures that energy efficient measures are marketed to consumers with a clear, relevant message, aiming to make people aware of energy efficiency when they are making purchasing decisions. Additionally, "Energy Efficiency" is increasing the professionalism of installers and retailers in energy saving matters through a national training programme.

The trade launch of the logo and guidelines took place in November. This was followed by the full launch, backed by TV advertising and widespread press coverage, in January. A central aim of the campaign is to promote energy efficiency as a modern, socially acceptable way for consumers to save money. To help meet this objective, point of sale materials have been displayed in all participating stores and a telephone hotline has been set up to provide consumers with free advice on energy efficiency and information about installers.

"Energy Efficiency" provides an excellent example of how the Trust's partnership philosophy operates in practice. The campaign was developed in conjunction with the energy industry and has prompted a lot of interest, support and enthusiasm throughout industry as a whole. Over £6.6 million of in-kind funding has already been committed to the initiative by a range of organisations. An Energy Efficiency Consultative Group represents the interests of all the project partners, such as manufacturers, installers, energy companies, retailers and consumers.

In 1997/98, the emphasis will be on developing and expanding the "Energy Efficiency" brand so that all relevant Trust activities fall within it. New product sectors are likely to be included, and plans will be developed for advertising and promotion during the winter - the peak season for energy use. Increased contributions from industry will also be sought.

THE ENERGY SAVING TRUST LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1997 (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 £377,142 (1996: £810,599 loss) has been transferred from reserves.

DIRECTORS AND THEIR INTERESTS

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

Sir F Gibb	(Chairman)
Dr EW Lees	(Chief Executive)
HR Casley	(Resigned 15 November 1996)
MG Faulkner	
The Rt Hon Dr D Mabon	(Resigned 30 November 1996)
JG Potter	
U Prashar	
MR Alexander	
J Kent	
E Hyams	(Appointed 16 January 1997)
J Harman	(Appointed 20 March 1997)

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.

THE ENERGY SAVING TRUST LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 1997 (CONTINUED)

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 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 1997.

In approving the adoption of the going concern basis, the directors assessed the cash flow projections prepared for the financial year 1997/98 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 1997
(CONTINUED)**

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

A handwritten signature in dark ink, appearing to be 'I M Fraser', written over the text 'By Order of the Board'.

I M Fraser
Secretary

17 July 1997
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 page 5 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 1997 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

17 July 1997

THE ENERGY SAVING TRUST LIMITED

PROFIT AND LOSS ACCOUNT FOR THE

YEAR ENDED 31 MARCH 1997

	Notes	Year ended 31 March 1997 £	Year ended 31 March 1996 £
TURNOVER	1 (1)	1,779,724	675,167
Administration expenses		(2,280,910)	(1,640,779)
OPERATING LOSS	2	(501,186)	(965,612)
Interest receivable and similar income		124,044	155,013
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION		(377,142)	(810,599)
RETAINED LOSS BROUGHT FORWARD		(1,761,432)	(950,833)
RETAINED LOSS CARRIED FORWARD		(2,138,574)	(1,761,432)

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.

THE ENERGY SAVING TRUST LIMITED

BALANCE SHEET - 31 MARCH 1997

	Notes	<u>31 March 1997</u>	<u>31 March 1996</u>
FIXED ASSETS		£	£
Tangible assets	6	93,656	70,395
CURRENT ASSETS			
Debtors	7	914,479	98,695
Cash at bank and in hand		<u>579,734</u>	<u>590,937</u>
		1,494,213	689,632
CREDITORS (amounts falling due within one year)			
Trade creditors		(363,472)	(23,842)
Accruals and deferred income		(148,762)	(124,124)
Taxation and social security		<u>(62,426)</u>	<u>(16,713)</u>
		(574,660)	(164,679)
NET CURRENT ASSETS		<u>919,553</u>	<u>524,953</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,013,209</u>	<u>595,348</u>
RESERVES			
Members' capital	8	3,151,783	2,356,780
Profit and loss account		<u>(2,138,574)</u>	<u>(1,761,432)</u>
TOTAL MEMBERS' FUNDS	12	<u>1,013,209</u>	<u>595,348</u>

APPROVED BY THE BOARD
ON 17 July 1997

Sir Frank Gibb
Dr EW Lees

DIRECTORS

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

THE ENERGY SAVING TRUST LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 1997

	<u>Notes</u>	<u>Year ended</u> <u>31 March 1997</u> £	<u>Year ended</u> <u>31 March 1996</u> £
NET CASH INFLOW FROM OPERATING ACTIVITIES	13(1)	(841,699)	(803,803)
Returns on investments and servicing on finance			
Interest received		124,044	155,013
Capital expenditure			
Payments to acquire tangible fixed assets		(88,551)	(47,238)
Financing			
Members' capital introduced		<u>795,003</u>	<u>846,000</u>
Decrease/Increase in cash	13(2)	(11,203)	149,972
		=====	=====
Reconciliation of net cash flow to movement in net debt (note 13(2))		<u>1997</u> £	<u>1996</u> £
Increase/(decrease) in cash in the period/change in net debt		(11,203)	149,972
Net funds at 1 April 1996/1 April 1995		<u>590,937</u>	<u>440,965</u>
Net funds at 31 March 1997/31 March 1996		579,734 =====	590,937 =====

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

THE ENERGY SAVING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997

1 ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The following accounting policies have been applied in dealing with all items which are considered material in relation to these accounts.

(1) Turnover

Turnover is recognised when invoiced by the Trust and represents reimbursable sums in respect of services provided by the Trust, and consultancy fees in respect of various Energy Efficiency Initiatives, sponsored by British Gas, the Regional Electricity Companies (REC's), the Department of the Environment and other parties.

(2) Fixed assets and depreciation

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:

Computer equipment	-	40% per annum straight line
Fixtures and fittings	-	20% per annum straight line

(3) 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.

(4) Pensions

The Trust operates a defined contribution scheme, whereby the company makes contributions, at rates which vary according to the age of the employee, directly to the providers of the employee's personal pension. Contributions are charged in the profit and loss account in the year in which they are paid.

(5) Operating leases

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

THE ENERGY SAVING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997 (CONTINUED)

1 ACCOUNTING POLICIES (Continued)

(6) Schemes

The Trust acts as an agent in receiving grants under Energy Efficiency Initiative schemes, sponsored by British Gas, the REC's, the Department of the Environment office and other parties. The Trust in turn disburses these grants to the managing agents of the various schemes. The income and expenditure of the schemes is not reflected within the accounts of the Trust as it is acting as an agent on behalf of the sponsors.

2 LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION

This is stated after charging the following amounts:

	Year ended 31 March 1997	Year ended 31 March 1996
	£	£
Auditors' remuneration	10,300	10,100
Depreciation	65,290	39,137
Rentals payable under property leases	96,085	79,780
	<u> </u>	<u> </u>

3 STAFF COSTS (EXCLUDING DIRECTORS)

	Year ended 31 March 1997	Year ended 31 March 1996
	£	£
Wages and salaries	722,412	475,948
Social security costs	71,999	44,458
Pension costs	<u>55,853</u>	<u>29,009</u>
	<u>850,264</u>	<u>549,415</u>

The average number of employees, excluding directors, in the period was 23 (1996 - 18).

THE ENERGY SAVING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997 (CONTINUED)

4 DIRECTORS' EMOLUMENTS

	Year ended 31 March 1997 £	Year ended 31 March 1996 £
Fees - non executives	58,000	64,000
Remuneration for management services	<u>94,684</u>	<u>82,704</u>
	152,684	146,704

The emoluments of the directors of the Trust, excluding pension contributions, in respect of duties wholly or mainly discharged in the UK were as follows:

	Year ended 31 March 1997 £	Year ended 31 March 1996 £
Chairman	25,000	25,000
Highest paid director	84,684	76,704

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

5 TAXATION

No tax liability has been provided due to the availability of loss relief.

THE ENERGY SAVING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997
(CONTINUED)

6 TANGIBLE FIXED ASSETS

<u>Cost</u>	<u>Computer equipment</u> £	<u>Fixtures and fittings</u> £	<u>Total</u> £
At 1 April 1996	102,597	45,101	147,698
Additions	59,979	28,572	88,551
	<hr/>	<hr/>	<hr/>
At 31 March 1997	162,576	73,673	236,249
	<hr/>	<hr/>	<hr/>
<u>Depreciation</u>			
At 1 April 1996	65,255	12,048	77,303
Charge for the period	53,343	11,947	65,290
	<hr/>	<hr/>	<hr/>
At 31 March 1997	118,598	23,995	142,593
	<hr/>	<hr/>	<hr/>
<u>Net book amount</u>			
At 31 March 1997	43,978	49,678	93,656
	<hr/>	<hr/>	<hr/>
At 31 March 1996	37,342	33,053	70,395
	<hr/>	<hr/>	<hr/>

7 DEBTORS

	<u>1997</u> £	<u>1996</u> £
Trade debtors	758,957	29,065
Other debtors	147,686	31,032
Prepayments	<u>7,836</u>	<u>38,598</u>
	<hr/>	<hr/>
	914,479	98,695
	<hr/>	<hr/>

THE ENERGY SAVING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997 (CONTINUED)

8 MEMBERS' CAPITAL

	<u>1997</u> £	<u>1996</u> £
Members' capital introduced	3,151,783	2,356,780

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 1997 there were 23 members (1996 - 21).

The increase in members' capital of £795,003 represents amounts called up by the Trust during the year. Members' capital is recognised in the accounts if it has been received before the balance sheet date or if it has been called upon by the Trust at the balance sheet date and is received within three months thereafter.

9 GUARANTEES

No guarantees were issued by the Trust during the year, and there were no guarantees in issue at the beginning or end of the year.

10 FINANCIAL COMMITMENTS

	<u>1997</u> £	<u>1996</u> £
Annual commitments in respect of operating leases on office premises which expire:		
Within one year	-	-
Between one and five years	96,085	79,780

11 DEFERRED TAXATION

There is no deferred taxation provision owing to tax losses (see note 5).

THE ENERGY SAVING TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 1997 (CONTINUED)

12 RECONCILIATION OF MOVEMENT IN MEMBERS' FUNDS

	<u>1997</u> £	<u>1996</u> £
Loss for the period attributable to members	(377,142)	(810,599)
Introduction of members' capital	<u>795,003</u>	<u>846,000</u>
Net increase in members funds	417,861	35,401
Opening members' funds	<u>595,348</u>	<u>559,947</u>
Closing members' funds	<u>1,013,209</u>	<u>595,348</u>

13 NOTES TO THE CASH FLOW STATEMENT

(1) RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	<u>1997</u> £	<u>1996</u> £
Operating loss	(501,186)	(965,612)
Depreciation charges	65,290	39,137
(Increase)/Decrease in debtors	(815,784)	131,144
Increase in creditors	<u>409,981</u>	<u>(8,472)</u>
Net cash outflow from operating activities	<u>(841,699)</u>	<u>(803,803)</u>

(2) ANALYSIS OF CHANGES IN NET DEBT

	<u>At 1 April 1996</u> £	<u>Cashflows</u> £	<u>At 31 March 1997</u> £
Cash in hand, at bank	<u>590,937</u>	<u>(11,203)</u>	<u>579,734</u>
Total	<u>590,937</u>	<u>(11,203)</u>	<u>579,734</u>

14 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.