

AGAS Developments Limited

Registered No. 2828692

DIRECTORS

A R Marshall (Chairman)
P Gibb

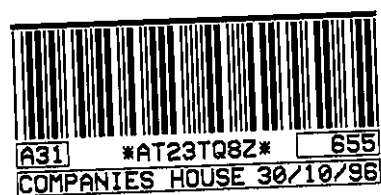
SECRETARY

P Adams

REGISTERED OFFICE

30 Buckingham Gate
London SW1E 6NN

ERNST & YOUNG



AGAS Developments Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1995.

RESULTS AND DIVIDENDS

The state of the company's affairs is as set out in the attached financial statements.

The directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year were as follows:

A R Marshall
P Gibb

No director held any interest in the issued share capital of the company during the year.

BUSINESS REVIEW

During the year the company continued installing gas distribution infrastructure in a number of projects. This will continue in 1996.

FIXED ASSETS

The changes in fixed assets are shown in note 8 to these accounts.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to members at the Annual General Meeting.

By order of the board

Peter Adams

Secretary

30 September 1996

AGAS Developments Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

REPORT OF THE AUDITORS
to the members of AGAS Developments Limited

We have audited the accounts on pages 5 to 10, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

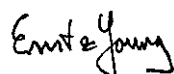
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

30 September 1996

AGAS Developments Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1995

	<i>Notes</i>	<i>Year ended 31 December</i>	
		<i>1995</i>	<i>1994</i>
		<i>£</i>	<i>£</i>
Administrative expenses		401,472	169,320
Interest payable to ultimate parent undertaking	4	—	10,942
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	401,472	180,262
Tax on loss on ordinary activities	7	—	—
LOSS FOR THE YEAR	14	401,472	180,262

The company had no other recognised gains or losses during the year.

AGAS Developments Limited

BALANCE SHEET at 31 December 1995

	Notes	1995 £	1994 £
FIXED ASSETS			
Tangible assets	8	2,392,501	788,700
CURRENT ASSETS			
Stock		70,664	—
Debtors	9	11,882	—
		82,546	—
CREDITORS: amounts falling due within one year	10	2,755,390	695,581
NET CURRENT (LIABILITIES)/ASSETS		(2,672,844)	(695,581)
TOTAL ASSETS LESS CURRENT LIABILITIES		(280,343)	93,119
CREDITORS: amounts falling due after more than one year	11	301,389	273,379
		(581,732)	(180,260)
CAPITAL AND RESERVES			
Called up share capital	13	2	2
Profit and loss account	14	(581,734)	(180,262)
		(581,732)	(180,260)

Director

Philip Liss

30 September 1996

AGAS Developments Limited

NOTES TO THE ACCOUNTS

at 31 December 1995

1. FUNDAMENTAL ACCOUNTING CONCEPT

The company is presently dependent on continuing finance being made available from its parent undertaking, Associated Gas Supplies Limited ("AGAS"). The directors of AGAS Developments Limited have received an undertaking from AGAS that it will provide or procure adequate finance to enable the company to meet its normal liabilities as they fall due. Accordingly, the directors believe that it is appropriate to prepare these financial statements on the going concern basis.

2. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Project costs

Project costs represent infrastructure in the course of construction and technical equipment. Infrastructure comprises costs incurred in the design, financing and construction of the project, and includes attributable overheads and interest.

The costs carried forward will be amortised on a straight line basis at the rates detailed below when the company starts receiving income from gas sales:

Mains and Infrastructure	-	25 years
Meters	-	10 years

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Office equipment	-	5 years
Computer equipment	-	4 years
Vehicles	-	4 years

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

		1995 £	1994 £
Auditors' remuneration	- audit services	4,500	2,500
	- non-audit services	2,500	-
		<u>7,000</u>	<u>2,500</u>

4. INTEREST PAYABLE

	1995 £	1994 £
Interest due to ultimate parent undertaking	116,362	10,942
Less: capitalised (see note 8)	(116,362)	-
	<u>-</u>	<u>10,942</u>

AGAS Developments Limited

NOTES TO THE ACCOUNTS at 31 December 1995

5. DIRECTORS EMOLUMENTS

	1995 £	1994 £
Directors fees	—	—
Other emoluments	58,648	—
	<u>58,648</u>	<u>—</u>
Emoluments of the chairman	<u>—</u>	<u>—</u>
Emoluments of the highest paid director excluding pension contributions	<u>53,808</u>	<u>—</u>

Directors' emoluments, excluding pension contributions, fell within the following ranges:

	1995 No.	1994 No.
£nil — £5,000	1	2
£50,000 — £55,000	1	—

6. STAFF COSTS

All the staff are employed by AGAS. A charge for general and administrative costs has been made by AGAS which includes elements of staff costs.

7. TAXATION

There is no charge to taxation in the year as the company had no taxable income.

AGAS Developments Limited

NOTES TO THE ACCOUNTS at 31 December 1995

8. FIXED ASSETS

	<i>Motor vehicles</i> £	<i>Project costs</i> £	<i>Office equipment</i> £	<i>Computer equipment</i> £	<i>Total</i> £
Cost:					
At 1 January 1995	–	737,440	55,922	7,755	801,117
Additions	66,739	1,431,806	8,660	32,036	1,539,241
Interest capitalised	–	116,362	–	–	116,362
Disposals	(20,484)	–	–	–	(20,484)
At 31 December 1995	46,255	2,285,608	64,582	39,791	2,436,236
Depreciation:					
At 1 January 1995	–	–	11,184	1,233	12,417
Charge for the year	21,281	–	13,044	5,697	40,022
Disposals	(8,074)	–	–	–	(8,704)
At 31 December 1995	12,577	–	24,228	6,930	43,735
Net book value:					
At 31 December 1995	33,678	2,285,608	40,354	32,861	2,392,501
At 31 December 1994	–	737,440	44,738	6,522	788,700

The total interest capitalised in project costs is £116,362 (1994 – £nil).

9. DEBTORS

	<i>1995</i> £	<i>1994</i> £
Amounts due from associated undertaking	11,882	–

10. CREDITORS: amounts falling due within one year

	<i>1995</i> £	<i>1994</i> £
Amounts due to ultimate parent undertaking	2,687,390	655,581
Loans (see note 12)	68,000	40,000
	2,755,390	695,581

AGAS Developments Limited

NOTES TO THE ACCOUNTS at 31 December 1995

11. CREDITORS: amounts falling due after more than one year

	1995 £	1994 £
Loans (see note 12)	301,389	273,379

12. LOANS

	1995 £	1994 £
Loans amounts falling due:		
Between one and two years	180,000	200,000
Between two and five years	121,389	73,379
	301,389	273,379
In one year or less	68,000	40,000
	369,389	313,379

The loan of £369,389 (1994 - £313,379) is unsecured.

13. SHARE CAPITAL

	Allotted, called-up			
	1995 No.	Authorised 1994 No.	and fully paid 1995 £	1994 £
Ordinary shares of £1 each	100	100	2	2

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 January 1995	2	(180,262)	(180,260)
Loss for the year	-	(401,472)	(401,472)
At 31 December 1995	2	(581,734)	(581,732)

15. CAPITAL COMMITMENTS

At 31 December 1995, the company had no capital commitments.

16. ULTIMATE PARENT UNDERTAKING

At the year end the company's ultimate parent undertaking is Associated Gas Supplies Limited, a company registered in England. This was the only group of which the company is a member and for which group financial statements were prepared. Copies of the group financial statements are available from the Company Secretary, Associated Gas Supplies Limited, 30 Buckingham Gate, London, SW1E 6NN.