

2526751

Natsource Tullett (Europe) Limited

Report and Financial Statements

Year Ended

31 December 2002



BDO Stoy Hayward
Chartered Accountants

NATSOURCE TULLETT (EUROPE) LIMITED

Annual report and financial statements for the year ended 31 December 2002

Contents

Directors

Page:

1	Report of the directors
3	Report of the independent auditors
5	Profit and loss account
6	Balance sheet
7	Notes forming part of the financial statements

Directors

S Jack
M Mellman
H Ann
B Collins
H Abrahams
J Cogen

Secretary and registered office

C Burt, Cable House, 54-62 New Broad Street, London, EC2M 1ST.

Company number

2526751

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL.

**

NATSOURCE TULLETT (EUROPE) LIMITED

Report of the directors for the year ended 31 December 2002

The directors present their report together with the audited financial statements for the year ended 31 December 2002.

Results and dividends

The profit and loss account is set out on page 5 and shows the loss for the year.

The directors do not recommend a final ordinary dividend for the year (2001 - £Nil).

Principal activities, trading review and future developments

The company's principal activity during the year was that of a broker of emissions permits and a provider of emissions consultancy.

On 31 May the company underwent a reorganisation and transferred its main business area of energy output brokerage to Tullett Liberty (Power) Limited. These activities are treated as discontinued operations on the face of the profit and loss account. Under the terms of the reorganisation immediate ownership of the company transferred to NTEL Holdings Limited.

Directors

The directors of the company during the year were:

S Jack	(appointed 13 December 2002)
M Mellman	(appointed 21 February 2002)
I Goldsmith	(resigned 9 August 2002)
P O Wold	(resigned 21 January 2002)
H Ann	
B Collins	
H Abrahams	
R G Taylor	(appointed 5 February 2002, resigned 9 August 2002)
J Cogen	(appointed 1 June 2003)

No director had any interest in the ordinary or preference shares of the company.

S Jack is a director of Tullett plc (formerly Tullett & Tokyo Liberty plc), the parent company of Tullett Liberty (European Holdings) Limited (formerly Tullett & Tokyo London (Holdings) Limited), and his interests in the share capital of group companies and associates are disclosed in the financial statements of Tullett & Tokyo Liberty plc.

J Cogen is a director of Natsource LLC the majority shareholder and his interests in the share capital of group companies is disclosed in the financial statements of Natsource LLC.

M Mellman is a director of Natsource LLC, the majority shareholder, and his interests in the share capital of group companies is disclosed in the financial statements of Natsource LLC.

B Collins is a director of Tullett plc (formerly Tullett & Tokyo Liberty plc), the parent company of Tullett Liberty (European Holdings) Limited (formerly Tullett & Tokyo London (Holdings) Limited), and his interests in the share capital of group companies and associates are disclosed in the financial statements of Tullett & Tokyo Liberty plc.

NATSOURCE TULLETT (EUROPE) LIMITED

Report of the directors for the year ended 31 December 2002 (*Continued*)

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 and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

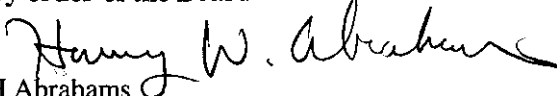
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

Auditors

Ernst & Young resigned as auditors and BDO Stoy Hayward, who were appointed as auditors of the company by the directors, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board


H Abrahams

Director

Date *October 29, 2003*

NATSOURCE TULLETT (EUROPE) LIMITED

Report of the independent auditors

To the shareholders of Natsource Tullett (Europe) Limited

We have audited the financial statements of Natsource Tullett (Europe) Limited for the year ended 31 December 2002 on pages 5 to 12 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

NATSOURCE TULLETT (EUROPE) LIMITED


Report of the independent auditors (*Continued*)

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the future funding of the company by the majority shareholder. The financial statements have been prepared on a going concern basis, the validity of which is dependent upon the results of the company and future funding being available. The financial statements do not include any adjustments that would result from a failure of the majority shareholder to continue funding the company. Details of the circumstances relating to this fundamental uncertainty are described in note 1. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its loss 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*
London

29 October 2003

NATSOURCE TULLETT (EUROPE) LIMITED

Profit and loss account for the year ended 31 December 2002

	Note	Continuing 2002 £	Discontinued 2002 £	Total 2002 £	Total 2001 £
Turnover	2	431,398	1,497,015	1,928,413	2,985,633
Staff cost	3	843,780	1,902,674	2,746,454	2,936,213
Other operating expenses		(183,121)	2,002,857	1,819,736	2,192,341
Other operating income		-	(46,274)	(46,274)	-
Operating loss	5	(229,261)	(2,362,242)	(2,591,503)	(2,142,921)
Loss on sale or termination of business				(539,448)	-
Interest receivable				442	5,881
Interest payable and similar charges	6			-	(266)
Loss on ordinary activities before taxation				(3,130,509)	(2,137,306)
Taxation on profit from ordinary activities	7			(190,236)	190,236
Loss on ordinary activities after taxation				(3,320,745)	(1,947,070)

All recognised gains and losses are included in the profit and loss account.

The notes on pages 7 to 12 form part of these financial statements.

NATSOURCE TULLETT (EUROPE) LIMITED

Balance sheet at 31 December 2002

	Note	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Tangible assets	9		-		350,033
Current assets					
Debtors	10	112,695		682,060	
Cash at bank and in hand		129,551		391,991	
		<u>242,246</u>		<u>1,074,051</u>	
Creditors: amounts falling due within one year	11	<u>710,183</u>		<u>2,457,860</u>	
Net current liabilities			(467,937)		(1,383,809)
Total assets less current liabilities			<u>(467,937)</u>		<u>(1,033,776)</u>
Capital and reserves					
Called up share capital	12		5,076,301		1,189,717
Profit and loss account	13		(5,544,238)		(2,223,493)
Shareholders' funds - deficit			<u>(467,937)</u>		<u>(1,033,776)</u>

The financial statements were approved by the Board on *October 29, 2003*

Henry W. Abrahams

H Abrahams
Director

The notes on pages 7 to 12 form part of these financial statements.

NATSOURCE TULLETT (EUROPE) LIMITED

Notes forming part of the financial statements for the year ended 31 December 2002

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Fundamental accounting concept

The company is dependent on continuing finance being made available by Natsource LLC, its ultimate controlling party, to enable it to continue operating and to meet its debts as they fall due. Natsource LLC has agreed to provide sufficient funds for these purposes until at least December 2003, the provision of funding beyond this date is dependent upon the operating results of the company. The directors believe that it is therefore appropriate to prepare the financial statements on a going concern basis.

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax. Turnover is recognised where a transaction is completed.

Depreciation

Depreciation is provided to write off the cost or valuation of all fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Fixtures and fittings - over 3 to 5 years

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Cash flow statement

The company has taken advantage of the exemption under Financial Reporting Standard 1 "Cash Flow Statements" not to prepare a cash flow statement as the directors believe the company is "small" under the Companies Act 1985.

Foreign currency

Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Pension costs

Contributions to a related company's defined contribution pension plan of which the company employees are members are charged to the profit and loss account in the year in which they become payable.

NATSOURCE TULLETT (EUROPE) LIMITED

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

	2002 £	2001 £
Analysis by geographical market:		
Europe	1,928,413	2,703,383
United States of America	-	282,250
	<u>1,928,413</u>	<u>2,985,633</u>

3 Employees

	2002 £	2001 £
Staff costs consist of:		
Wages and salaries	2,493,858	2,613,904
Social security costs	220,573	283,743
Other pension costs	32,023	38,566
	<u>2,746,454</u>	<u>2,936,213</u>

The average number of employees, including directors, during the year was 24 (2001 - 28).

4 Directors

	2002 £	2001 £
Directors' emoluments consist of:		
Fees and remuneration for management services	729,515	440,140
Payments to defined contribution pension scheme	11,834	26,463
	<u>741,349</u>	<u>466,603</u>

There was 1 director (2001 - 1) in a related company's defined contribution pension scheme during the year.

	2002 £	2001 £
Highest paid director		
Emoluments	<u>375,431</u>	<u>163,289</u>

NATSOURCE TULLETT (EUROPE) LIMITED

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

4 Directors (*Continued*)

Where directors of the company are also directors of the ultimate parent undertaking, their remuneration is received directly from that company. The directors do not believe it is practicable to apportion this amount between their services as directors of the parent undertaking, fellow subsidiary undertakings and this company. No management charge was made to the company in 2002 (2001 - £Nil) to represent a recharge of the services to the company of any directors of the parent undertaking. It is not possible to identify separately the amounts attributable to the directors of the company.

5 Operating loss

	2002 £	2001 £
This has been arrived at after charging/(crediting):		
Depreciation of owned fixed assets	33,984	104,168
Hire of other assets - operating leases	1,599	808
Auditors' remuneration	14,000	19,988
Foreign exchange (gain)/loss	(20,004)	8,570
	<hr/>	<hr/>

6 Interest payable and similar charges

	2002 £	2001 £
Bank loans	-	266
	<hr/>	<hr/>

7 Taxation on profit from ordinary activities

	2002 £	2001 £
<i>Current tax</i>		
UK corporation tax on profits of the year	-	(190,236)
Adjustment in respect of previous years	190,236	-
	<hr/>	<hr/>
Taxation on profit on ordinary activities/(credit)	190,236	(190,236)
	<hr/>	<hr/>

NATSOURCE TULLETT (EUROPE) LIMITED

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

7 Taxation on profit from ordinary activities (*Continued*)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002 £	2001 £
Loss on ordinary activities before tax	(3,130,509)	(2,137,306)
Profit/loss on ordinary activities at the standard rate of corporation tax in the UK of 30%	(939,153)	(641,192)
Effects of:		
Expenses not deductible for tax purposes	36,070	41,955
Capital allowances for the year in excess of depreciation	27,428	-
Adjustment to tax charge in respect of previous years	(190,236)	-
Deferred tax asset not provided for	875,655	409,001
Current tax charge/(credit) for year	190,236	(190,236)

9 Tangible assets

	Fixtures and fittings £
<i>Cost or valuation</i>	
At 1 January 2002	454,201
Additions	-
Disposals	(454,201)
At 31 December 2002	-
<i>Depreciation</i>	
At 1 January 2002	104,168
Provided for the year	33,984
Disposals	(138,152)
At 31 December 2002	-
<i>Net book value</i>	
At 31 December 2002	-
At 31 December 2001	350,033

NATSOURCE TULLETT (EUROPE) LIMITED

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

10 Debtors

	2002 £	2001 £
Trade debtors	83,127	606,590
Other debtors	-	35,902
Amounts due from Tullett Liberty (European Holdings) plc	7,004	-
Prepayments and accrued income	22,564	39,568
	<u>112,695</u>	<u>682,060</u>

All amounts shown under debtors fall due for payment within one year.

11 Creditors: amounts falling due within one year

	2002 £	2001 £
Trade creditors	39,189	157,722
Amounts owed to Natsource LLC	-	1,075,226
Amounts owed to Tullett plc	-	706,557
Amounts owed to NTEL (Holdings) Limited	467,521	-
Taxation and social security	88,039	175,655
Other creditors	63,865	6,814
Accruals and deferred income	51,569	335,886
	<u>710,183</u>	<u>2,457,860</u>

12 Share capital

	Authorised, allotted, called up and fully paid			
	2002 Number	2001 Number	2002 £	2001 £
Ordinary shares of £1 each	5,076,301	1,189,717	5,076,301	1,189,717

During the year the company increased its authorised share capital by 3,886,584 to 5,076,301 £1 ordinary shares. These were allotted at par.

NATSOURCE TULLETT (EUROPE) LIMITED

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

13 Profit and loss account	£
At 1 January 2002	(2,223,493)
Loss for the year	(3,320,745)
	<hr/>
At 31 December 2002	(5,544,238)
	<hr/>

14 Reconciliation of movements in shareholders' funds	2002	2001
	£	£
Loss for the year	(3,320,745)	(1,947,070)
Ordinary shares issued	3,886,584	787,300
	<hr/>	<hr/>
Opening shareholders' funds	565,839 (1,033,776)	(1,159,770) 125,994
	<hr/>	<hr/>
Closing shareholders' funds	(467,937)	(1,033,776)
	<hr/>	<hr/>

15 Commitments under operating leases

As at 31 December 2002, the company had annual commitments under non-cancellable operating leases as set out below:

	2002	2001
	Other	Other
	£	£
Operating leases which expire:		
Within one year	-	808
	<hr/>	<hr/>

16 Ultimate parent company

At 31 December 2002 the company's immediate parent company was NTEL Holdings Limited.

The ultimate parent undertaking company of Natsource Tullett (Europe) Limited is Natsource LLC. Natsource LLC is a company registered in the United States of America. Copies of the group financial statements can be obtained from Natsource LLC 30th Floor, 140 Broadway, New York, NY 10005, USA.