

**Touche
Ross**

Deloitte Touche
Tohmatsu
International



Company Registration No. 2706333

VOLUNTEER ENERGY LIMITED

Report and Financial Statements

30 September 1994

**Touche Ross & Co.
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN**





REPORT AND FINANCIAL STATEMENTS 1994

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J D Ryan
R L Ennis
J D Johnson

JOINT SECRETARIES

J D Johnson
J D Ryan

REGISTERED OFFICE

2 Landau Court
Tan Bank
Wellington
Telford
Shropshire
TF1 1HE

BANKERS

Barclays Bank PLC
160 Piccadilly
London
W1A 2AB

SOLICITORS

Taylor, Joynson & Garrett
180 Fleet Street
London
EC4A 2NT

Climaco, Climaco, Seminatore, Leftouritz & Barofoli Co LPA
1226 Euclid Avenue
Cleveland
Ohio 44115
USA

AUDITORS

Touche Ross & Co.
Chartered Accountants
Colmore Gate
2 Colmore Row
Birmingham
B3 2BN

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 1994.

ACTIVITIES

The principal activities of the company are the purchase and supply of natural gas and electricity to industrial and commercial customers.

REVIEW OF THE BUSINESS

The results of the year are set out in the profit and loss account on page 6.

The company's profit for the fiscal year ended 30 September 1994 is reflective of an increasing customer base since the 1992 start up of the company. The directors anticipate the company's role as both a commodity supplier and energy management consultant in the UK will continue to expand in both the natural gas and electricity sectors. Recent staff additions allow the company to serve its increasing customer base and to actively pursue expansion in the emerging Eastern European energy market. The company's growth was enhanced by additional capital commitment from the parent company along with no dividends being paid during the fiscal year.

Details of share capital allotted during the year are disclosed in note 12 on page 12.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend the payment of a dividend. The profit for the year of £65,424 has been transferred to reserves.

FIXED ASSETS

Movements in fixed assets are shown in note 7 to these financial statements.

DIRECTORS AND THEIR INTERESTS

The directors, who served throughout the year, are:

J D Ryan

R L Ennis

J D Johnson

No director has any beneficial interests in the shares of the company.

Directors' interests in the common stock of the parent company, Volunteer Energy Corporation, at 30 September 1993 and 30 September 1994 were:

	1994 Shares	1993 Shares
R L Ennis	500	30
J D Johnson	583	35

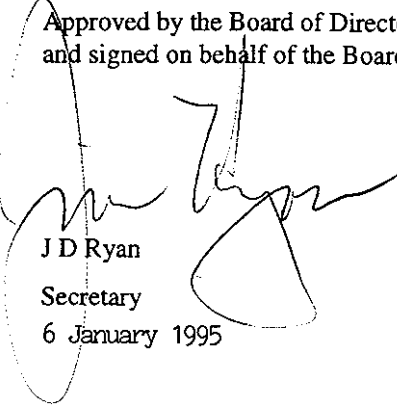


DIRECTORS' REPORT

AUDITORS

Touche Ross & Co. have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



J D Ryan

Secretary

6 January 1995

**STATEMENT OF 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 as at the end of the financial year 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
- 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. 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.



Chartered Accountants

Touche Ross & Co.
Colmore Gate
2 Colmore Row
Birmingham B3 2BN

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AUDITORS' REPORT TO THE MEMBERS OF

VOLUNTEER ENERGY LIMITED

We have audited the financial statements on pages 6 to 13 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 4 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 30 September 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and Registered Auditors

10 January 1995

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PROFIT AND LOSS ACCOUNT
Year ended 30 September 1994

	Note	1994 52 weeks £	1993 72 weeks £
TURNOVER	2	4,557,975	3,211,087
Cost of sales		<u>(4,162,195)</u>	<u>(3,012,534)</u>
Gross profit		395,780	198,553
Administrative expenses		<u>(310,648)</u>	<u>(243,523)</u>
OPERATING PROFIT/(LOSS)	4	85,132	(44,970)
Bank interest receivable		4,405	5,177
Interest payable and similar charges	5	<u>(10,613)</u>	<u>(3,329)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		78,924	(43,122)
Tax on profit or loss on ordinary activities	6	<u>(13,500)</u>	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION BEING PROFIT/(LOSS) FOR THE FINANCIAL YEAR	13	<u><u>65,424</u></u>	<u><u>(43,122)</u></u>

STATEMENT OF MOVEMENT ON RESERVES
Year ended 30 September 1994

	Profit and loss account £
Balance at 1 October 1993	(43,122)
Retained profit for the year	<u>65,424</u>
Balance at 30 September 1994	<u><u>22,302</u></u>

All activities derive from continuing operations.

There are no material recognised gains and losses other than the profit for the financial year. Accordingly, no statement of total recognised gains and losses is given.



BALANCE SHEET
30 September 1994

	Note	£	1994 £	£	1993 £
FIXED ASSETS					
Tangible assets	7		43,242		23,847
CURRENT ASSETS					
Stocks	8	326,177		441,814	
Debtors	9	554,710		273,409	
Cash at bank and in hand		108,786		40,870	
			<u>989,673</u>	<u>756,093</u>	
CREDITORS: amounts falling due within one year	10	<u>(855,151)</u>		<u>(762,365)</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>134,522</u>		<u>(6,272)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			177,764		17,575
CREDITORS: amounts falling due after more than one year	11		<u>(10,462)</u>		<u>(697)</u>
			<u>167,302</u>		<u>16,878</u>
CAPITAL AND RESERVES					
Called up share capital	12		145,000		60,000
Profit and loss account			22,302		(43,122)
SHAREHOLDERS' FUNDS	13		<u>167,302</u>		<u>16,878</u>

These financial statements were approved by the Board of Directors on 6 January 1995

Signed on behalf of the Board of Directors

J D Ryan
Director

NOTES TO THE ACCOUNTS
Year ended 30 September 1994**1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Depreciation is provided on the assets in equal annual instalments over their estimated useful lives. The rates of depreciation are as follows:

Motor vehicle	25%
Fixtures, fittings and office equipment	25%

Stocks

Stocks, which represent natural gas to be delivered by suppliers, have been valued at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a consistent rate of charge on the remaining balance of the obligation.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

2. TURNOVER

Turnover represents amounts derived from the company's ordinary activities, excluding value added tax. The turnover and profit are attributable to the principal activities of the company.

All sales were made to customers in the United Kingdom.


NOTES TO THE ACCOUNTS
Year ended 30 September 1994
3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1994 52 weeks £	1993 72 weeks £
Directors' emoluments		
Fees	-	-
Other emoluments	83,514	80,915
	<u>83,514</u>	<u>80,915</u>
 Remuneration of the chairman	 -	 -
Remuneration of the highest paid director	<u>83,514</u>	<u>80,915</u>
	No	No
Scale of other director's remuneration £0 - £5,000	<u>1</u>	<u>1</u>
 Average number of persons employed		
Sales and distribution	3	2
Administration	3	3
	<u>6</u>	<u>5</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	159,744	100,485
Social security costs	16,104	10,259
	<u>175,848</u>	<u>110,744</u>

4. OPERATING PROFIT/(LOSS)

	1994 52 weeks £	1993 72 weeks £
The results are stated after charging:		
Depreciation and amortisation		
Owned assets	7,953	3,748
Assets held under a finance leases	789	123
Rentals under operating leases		
Vehicle hire	75	7,880
Land and buildings	22,460	25,047
Auditors' remuneration		
Audit services	<u>2,500</u>	<u>3,000</u>



NOTES TO THE ACCOUNTS
Year ended 30 September 1994

5. INTEREST PAYABLE AND SIMILAR CHARGES

	1994	1993
	52 weeks	72 weeks
	£	£
Bank loans, overdrafts and other loans repayable within five years	1,444	3,208
Finance charges - finance leases	400	121
Other interest	8,769	-
	<u>10,613</u>	<u>3,329</u>

6. TAX ON PROFIT OR LOSS ON ORDINARY ACTIVITIES

	1994	1993
	52 weeks	72 weeks
	£	£
Corporation tax charge based on the results of the year at 33%	<u>13,500</u>	<u>-</u>

The corporation tax charge for the year has been reduced by losses brought forward.

7. TANGIBLE FIXED ASSETS

	Motor vehicles	Fixtures, fittings and office equipment	Total
	£	£	£
Cost			
At 1 October 1993	11,000	16,718	27,718
Additions	14,550	13,587	28,137
At 30 September 1994	<u>25,550</u>	<u>30,305</u>	<u>55,855</u>
Accumulated depreciation			
At 1 October 1993	1,146	2,725	3,871
Charge for the year	3,091	5,651	8,742
At 30 September 1994	<u>4,237</u>	<u>8,376</u>	<u>12,613</u>
Net book value			
At 30 September 1994	<u>21,313</u>	<u>21,929</u>	<u>43,242</u>
At 30 September 1993	<u>9,854</u>	<u>13,993</u>	<u>23,847</u>

The net book value of fixed assets includes £15,605 (1993 - £1,844) in respect of assets held under a finance lease.

NOTES TO THE ACCOUNTS
Year ended 30 September 1994
8. STOCKS

	1994 £	1993 £
Natural gas	326,177	441,814

9. DEBTORS

	1994 £	1993 £
Amounts falling due within one year		
Trade debtors	473,258	227,605
Other debtors	55,092	27,239
Prepayments and accrued income	26,360	18,565
	<u>554,710</u>	<u>273,409</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1994 £	1993 £
Bank overdraft	-	955
Obligations under finance leases	3,556	558
Trade creditors	735,700	674,706
Amounts owed to group undertakings	7,589	45,994
Other taxes and social security	80,544	18,703
Other creditors	1,629	13,719
Accruals and deferred income	26,133	7,730
	<u>855,151</u>	<u>762,365</u>

The bank overdraft facilities are secured by a letter of credit from the parent company, Volunteer Energy Corporation.

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1994 £	1993 £
Obligations under finance leases:		
Repayable in the year ended 30 September:		
1996	2,929	558
1997	7,533	139
	<u>10,462</u>	<u>697</u>



NOTES TO THE ACCOUNTS
Year ended 30 September 1994

12. CALLED UP SHARE CAPITAL

	1994 £	1993 £
Authorised		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
Called up, allotted and fully paid		
145,000 (1993 - 60,000) Ordinary shares of £1 each	145,000	60,000
Ordinary shares were allotted during the year, at par value, as follows:		
	Shares allotted	
11 March 1994	45,000	
13 September 1994	40,000	
	<u>85,000</u>	

The shares were allotted for the purposes of providing working capital.

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1994 £	1993 £
Profit/(loss) for the financial year	65,424	(43,122)
New share capital subscribed	85,000	60,000
Net addition to shareholders' funds	150,424	16,878
Opening shareholders' funds	16,878	-
Closing shareholders' funds	<u>167,302</u>	<u>16,878</u>

14. PROVISIONS FOR LIABILITIES AND CHARGES

The amounts provided in the accounts and the amounts not provided are as follows:

	Provided		Not provided	
	1994 £	1993 £	1994 £	1993 £
Capital allowances in excess of depreciation	-	671	1,481	-
Loss relief	-	(671)	-	-
	<u>-</u>	<u>-</u>	<u>1,481</u>	<u>-</u>

The directors do not consider the amounts of unprovided deferred taxation at 30 September 1994 of £1,481 to be material.



NOTES TO THE ACCOUNTS
Year ended 30 September 1994

15. FINANCIAL COMMITMENTS

	1994 £	1993 £
Capital commitments		
Contracted for but not provided	-	-
Authorised but not yet contracted for	-	500

Operating lease commitments

At 30 September 1994 the company was committed to making the following payments during the next year in respect of operating leases.

	Land and buildings £
Leases which expire:	
Within one year	19,085

16. ULTIMATE PARENT COMPANY

In the opinion of the directors, the company's ultimate parent company is Volunteer Energy Corporation, a company registered in the United States of America.