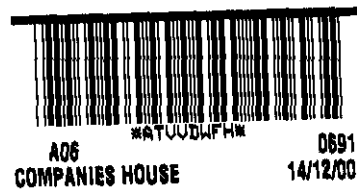


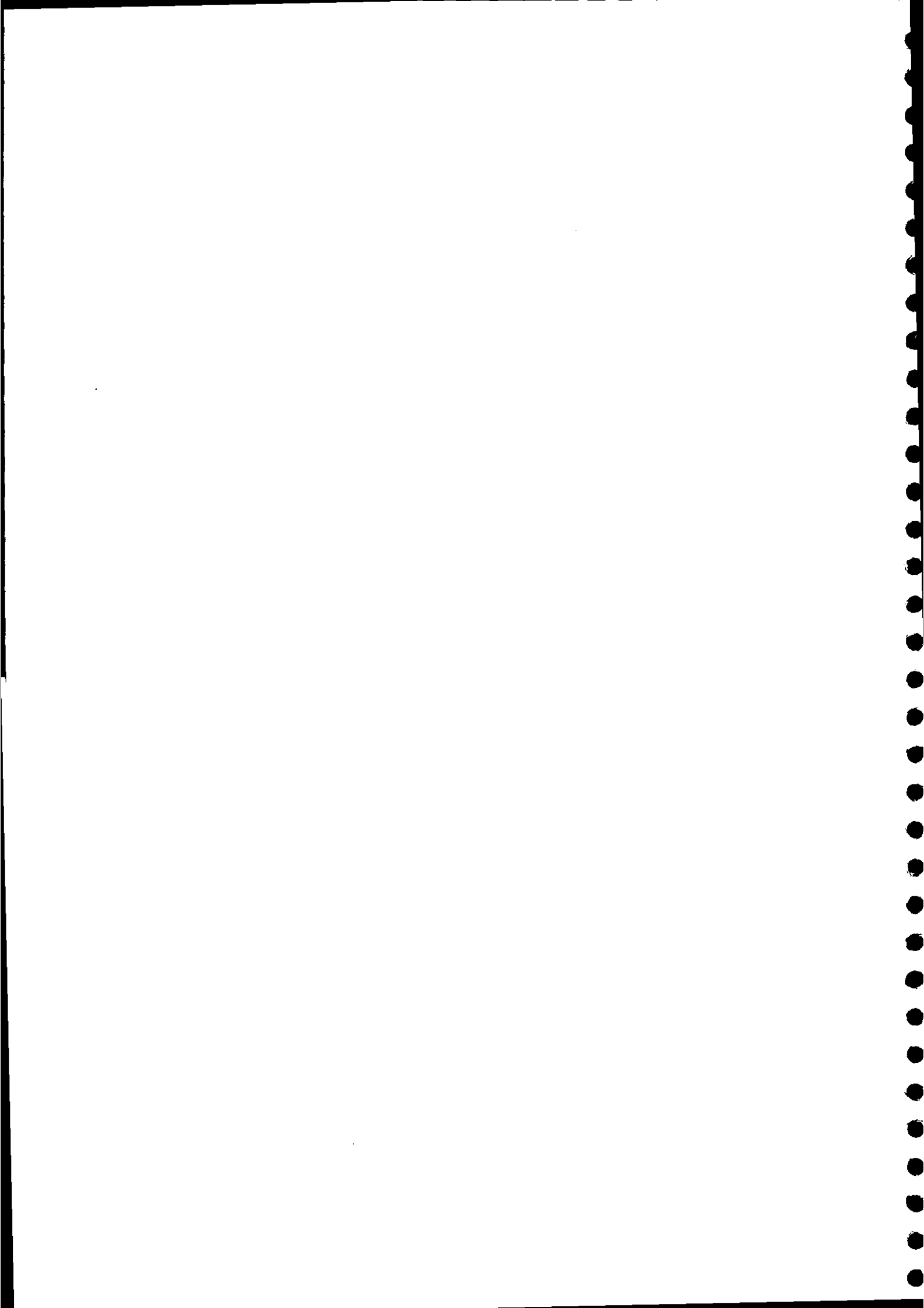
ELECTRICITY DIRECT (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2000



Company Registration Number: 03174056 (England and Wales)



COMPANY INFORMATION

Directors	W B Bullen (appointed 26 November 1999) J E Gibbons G F Mackay S B Paul Mrs M P Simpson A D Wingrove
Secretary	J E Gibbons
Company number	03174056
Registered office	211 High Street Lewes East Sussex BN7 2NL
Auditors	PricewaterhouseCoopers 10 Bricket Road St Albans Herts AL1 3JX
Business address	4 The Courtyard Alban Park St Albans Herts
Bankers	HSBC 167 Dyke Road Hove East Sussex Premium Credit Limited 60 East Street Epsom Surrey KT7 1HB
Solicitors	Blaker Son & Young 211 High Street Lewes Sussex

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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 activities and business review

The company's principal activity is that of electricity supply management.

Business review

Trading commenced in April 1999 when we introduced a small number of half hourly customers pending the outcome of our application for an extension to our licence.

On 9 June 1999 the Deputy Director of Offer granted an extension to our existing Second Tier Licence, which enabled us to commence trading in the non half hourly – Non Designated Business Sector. Supply commenced to our first customer on 1 August 1999.

All our systems had been thoroughly tested and from an early stage we have delivered a high level of performance in terms of site registration and Customer Service.

By the end of the financial year our Sales Channels were fully operational and had introduced 13,000 customers with annualised turnover of £46m. The losses incurred were therefore only a half of our original forecast.

During the current year we have significantly expanded and improved our Sales and Marketing activities and this has accelerated our rate of customer acquisition to the extent that we are forecasting a turnover of in excess of £100,000,000 by the end of March 2001 and anticipate that shareholder funds will be positive. We further forecast that the annualised turnover at the end of this period will be in excess of £150,000,000.

Due to the continued support of our Funding Partner, Premium Credit, and the implementation of a successful cashflow model, we have always been able to operate, comfortably within our facilities.

In view of the New Electricity Trading Arrangements (Neta) scheduled for November 2000, the Directors recognise the necessity to enter into a Bulk Trading Agreement and negotiations are now in progress with a suitable partner.

Results and dividends

The company's loss for the financial year was £3,803,863 (1999: loss £523,523). No dividends have been paid or proposed.

Directors

The following directors have held office since 1 April 1999:

W N Bullen (appointed 26 November 1999)
J E Gibbons
G F Mackay
S B Paul
Mrs M P Simpson
A D Wingrove

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2000 (continued)

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	31 March 2000	Ordinary shares of £1 each 1 April 1999
W N Bullen	-	-
J E Gibbons	34	34
G F Mackay	78	86
S B Paul	75	60
Mrs M P Simpson	-	-
A D Wingrove	112	119

Auditors

PricewaterhouseCoopers were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

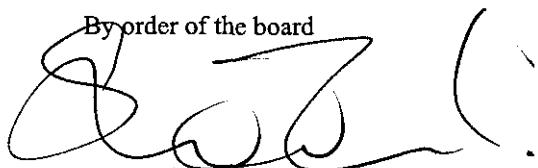
Directors' responsibilities

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;
- 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.

By order of the board



S B Paul
Director
11 September 2000

AUDITORS' REPORT TO THE MEMBERS OF ELECTRICITY DIRECT (UK) LIMITED

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

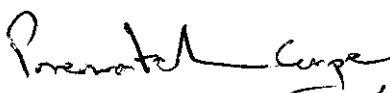
Basis of audit opinion

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 at 31 March, 2000 and of its losses for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
St Albans

11 September 2000

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2000

	Notes	2000 £	1999 £
Sales		13,587,413	-
Cost of sales		(14,160,694)	(7,572)
Gross loss		(573,281)	(7,572)
Administrative expenses		(2,348,396)	(700,894)
Distribution costs		(826,019)	(15,854)
Other operating income		-	200,000
Operating loss	2	(3,747,696)	(508,466)
Interest receivable		29,524	-
Interest payable and similar charges	3	(85,691)	(15,057)
Loss on ordinary activities before taxation		(3,803,863)	(523,523)
Tax on loss on ordinary activities	4	-	-
Loss on ordinary activities after taxation	10	(3,803,863)	(523,523)

The loss for the financial year relates entirely to continued activities and includes all recognised gains and losses in the year.

Movements on reserves are set out in note 10.

The notes on pages 6-11 form part of these accounts.

BALANCE SHEET AS AT 31 MARCH 2000

	Notes	2000 £	1999 £
Fixed assets			
Tangible assets	5	360,946	62,900
Current assets			
Debtors	6	3,401,118	38,442
Cash at bank and in hand		127,523	2,500
			40,942
Creditors: amounts falling due within one year	7	(8,012,285)	(611,489)
Net current liabilities		(4,483,644)	(570,547)
Total assets less current liabilities		(4,122,698)	(507,647)
Creditors: amounts falling due after more than one year	8	(249,312)	(60,500)
Net Liabilities		(4,372,010)	(568,147)
Capital and reserves			
Called up share capital	9	375	375
Profit and loss account	10	(4,372,385)	(568,522)
Shareholders' deficit		(4,372,010)	(568,147)

Approved by the Board on 11 September 2000

G F Mackay
Director



The notes on pages 6 to 11 form part of these accounts.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2000

1 ACCOUNTING POLICIES

(i) Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

These financial statements are prepared on a going concern basis which assumes that the company will continue to receive financial support from Premium Credit Limited, a shareholder of the company, for the foreseeable future as disclosed in note 15.

(ii) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Fixtures, fittings and equipment	straight line over 5 years
Motor vehicles	straight line over 4 years
Computers	straight line over 4 years
Leasehold improvements	straight line over 17 years

(iii) Turnover

Turnover from the sale of electricity is recognised by the Company on a monthly basis exclusive of Value Added Tax and is attributable to one class of business. Customers enter into annual contracts and are billed monthly based on estimated consumption. Adjustments are made to the monthly bills based on actual consumption once customers' meters are read which occurs at least once a year.

(iv) Leased assets

Assets held under finance leases are included in fixed assets. The interest element of lease payments is charged to the profit and loss account in proportion to the outstanding finance lease obligation. All other leases are regarded as operating leases and are charged to the profit and loss account as incurred.

(v) Cash flow

The Company is exempt from the requirements of Financial Reporting Standard 1 to prepare a Cash Flow Statement as it qualifies under section 246 of the Companies Act as a small Company entitled to file abbreviated financial statements.

(vi) Cost of sales

Cost of Sales comprises the purchase of electricity from the Pool at spot prices, transmission and all other cost of sales in supplying the electricity.

(vii) Commission

Customer acquisition costs including commission costs arising as a result of acquiring new business have been charged to the profit and loss account as incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000 (continued)**

2 OPERATING LOSS

	2000 £	1999 £
Operating loss is stated after charging:		
Depreciation of tangible assets:		
Owned assets	5,957	379
Finance Leased assets	39,452	20,238
Auditors' remuneration:		
Audit services	18,000	11,500
Non audit services	-	3,850
Operating lease payments:		
Other	50,000	50,000

3 INTEREST

	2000 £	1999 £
Interest payable on overdrafts and bank loans	2,989	6,453
Interest payable on other loans	68,842	-
Hire Purchase Interest	13,860	8,604
	85,691	15,057

4 TAXATION

On the basis of these financial statements no provision has been made for corporation tax. Subject to the agreement of the Inland Revenue, the Company has carried forward losses of £3,827,752.

The company has a deferred tax asset of £768,491 of which £2,941 relates to accelerated capital allowances and the balances to losses. This asset has not been recognised in the accounts..

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000 (continued)**

5 TANGIBLE FIXED ASSETS

	Leasehold Improvements £	Computers £	Motor vehicles £	Fixtures & fittings £	Total £
Cost					
At 1 April 1999	-	-	80,990	2,527	83,517
Additions	44,478	30,720	265,653	2,604	343,455
At 31 March 2000	44,478	30,720	346,643	5,131	426,972
Depreciation					
At 1 April 1999	-	-	20,238	379	20,617
Charge for the year	445	3,840	39,452	1,672	45,409
At 31 March 2000	445	3,840	59,690	2,051	66,026
Net book value					
At 1 April 1999	-	-	60,752	2,148	62,900
At 31 March 2000	44,033	26,880	286,953	3,080	360,946

The net book value of tangible fixed assets includes £286,953 (1999: £60,752) in respect of assets held under finance leases or hire purchase contracts. The depreciation charge in respect of such assets amounted to £39,452 (1999: £20,238) for the year.

6 DEBTORS

	2000 £	1999 £
Trade debtors	181,704	4,350
Prepayments and accrued income	283,723	6,390
Deposits held by suppliers	2,405,390	-
Other debtors	530,301	27,702
	3,401,118	38,442

As a condition of trading with the Electricity Pool, the Company is required to deposit funds amounting to one month's purchases with the Pool. The deposit earns interest at LIBOR.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000 (continued)**

7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Bank loans and overdrafts	774,538	50,896
Net obligations under hire purchase contracts	20,985	9,493
Trade creditors	1,997,437	106,083
Taxation and social security	51,100	58,140
Other creditors	2,280,000	386,877
Accruals	2,229,353	-
Deferred income	658,872	-
	8,012,285	611,489

Other creditors includes a loan from Premium Credit Limited in the sum of £2,280,000 (1999: £366,526. This loan bears interest at 3% above LIBOR and the facility represents the lesser of £5m on the following month's direct debit collections. It is anticipated that this facility will be repaid with one year.

8 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000 £	1999 £
Net obligations under hire purchase contracts	249,312	60,500

The aggregate amount of creditors for which security has been given amounted to £2,352,000 (1999: £487,415).

9 SHARE CAPITAL

	2000 £	1999 £
Authorised 100,000 ordinary shares of £1 each	100,000	100,000
Allotted, called up and fully paid 375 ordinary shares of £1 each	375	375

10 STATEMENT OF MOVEMENTS ON PROFIT AND LOSS ACCOUNT

	2000 £	1999 £
Balance at 1 April	(568,522)	(44,999)
Retained loss for the year	(3,803,863)	(523,523)
Balance at 31 March	(4,372,385)	(568,522)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000 (continued)**

11 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S DEFICITS

	2000 £	1999 £
Loss for the year	(3,803,863)	(523,523)
Share issue	-	75
Opening shareholder's deficit	(568,147)	(44,699)
Closing shareholder's deficit	(4,372,010)	(568,147)

12 EMPLOYEE COSTS AND DIRECTORS EMOLUMENTS

	2000 £	1999 £
Wages and salaries	640,382	176,095
Social security	91,688	14,087
Other pension costs	-	-
	732,070	190,182

The average number of persons employed by the company was: 35 (1999: 4).

Directors emoluments

	2000 £	1999 £
Aggregate emoluments	341,667	133,400

The remuneration of the highest paid director was as follows:

	2000 £	1999 £
Total emoluments	75,000	75,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2000 (continued)**

13 FINANCIAL COMMITMENTS

At 31 March 2000 the company had annual commitments under non-cancellable operating leases as follows:

	2000 £	1999 £
Expiry date:		
Between two and five years	50,000	50,000

The future minimum payments under finance leases are as follows:

	2000 £	1999 £
Within one year	87,383	20,693
In more than one year but no more than five years	264,575	70,038
After five years	-	-
Total gross payments	351,958	90,731
Less finance charges included above	(81,661)	(20,738)
	270,297	69,993

14 CONTROL

The company is controlled by the company's directors who hold a majority of the company's issued share capital.

15 RELATED PARTY TRANSACTIONS

During the year the company received loans of working capital from Premium Credit Limited, a shareholder in the company. The amount outstanding at the balance sheet date was £2,214,234 (1999: £366,526).

S B Paul is also a director and shareholder of Credit & Business Services Limited. During the year the company paid Credit & Business Services Limited the following sums:

Consultancy fees £573,366 (1999: £42,700)
Computer design work £81,973 (1999: £98,450)

No amounts were outstanding to Credit & Business Services Limited at the balance sheet date.

16 POST BALANCE SHEET EVENTS

The funding agreement with Premium Credit has been extended for a period of 12 months from 1 July 2000.