

VECTOR GAS LIMITED
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2000

Jeffreys Henry
Finsgate, 5-7 Cranwood Street
London
EC1V 9EE



VECTOR GAS LIMITED

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VECTOR GAS LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2000

The director presents his report and financial statements for the year ended 30 June 2000.

Principal activities and review of the business

The Company's principal activity is to purchase, market and sell natural gas to commercial and other end users and it is not anticipated that this will change in the near future.

Results and dividends

The results for the year are set out on page 4.

The director does not recommend payment of an ordinary dividend.

The Euro

The directors do not consider that the introduction of the Euro will have any significant impact on the company.

Directors

The following directors have held office since 1 July 1999:

N.A. Clarke	(Resigned 2 February 2001)
J.A. McIntosh	

Directors' interests

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

	'A' Ordinary shares of £ 1 each	
	30 June 2000	1 July 1999
J.A. McIntosh	-	-
N.A. Clarke	-	-

	'B' Ordinary shares of £ 1 each	
	30 June 2000	1 July 1999
J.A. McIntosh	-	-
N.A. Clarke	-	-

Both directors served on the board of the holding company, Quantum Energy Group Limited. Their interests in the shares of that company are disclosed in that company's financial statements.

Creditor payment policy

The company's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Jeffreys Henry be reappointed as auditors of the company will be put to the Annual General Meeting.

VECTOR GAS LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2000

Director's responsibilities

Company law requires the director 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 director is 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

On behalf of the board



J.A. McIntosh

Director

24 January 2001

VECTOR GAS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF VECTOR GAS LIMITED

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of the director and auditors

As described on page 2 the company's director is 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.

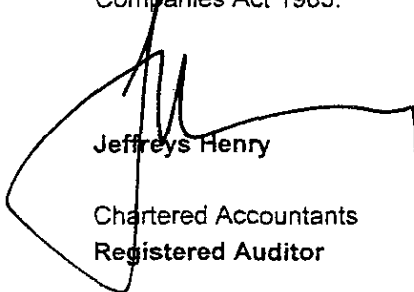
Basis of opinion

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 director 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 June 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Jeffrey Henry

Chartered Accountants
Registered Auditor

24 January 2001

Finsgate, 5-7 Cranwood Street
London
EC1V 9EE

VECTOR GAS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2000

	Notes	2000 £	1999 £
Turnover	2	32,635,508	13,398,605
Cost of sales		(30,518,931)	(11,535,694)
Gross profit		<u>2,116,577</u>	<u>1,862,911</u>
Administrative expenses		(2,094,069)	(1,352,898)
Operating profit	3	<u>22,508</u>	<u>510,013</u>
Other interest receivable and similar income		1,141	684
Interest payable and similar charges	4	(15,465)	(8,909)
Profit on ordinary activities before taxation		<u>8,184</u>	<u>501,788</u>
Tax on profit on ordinary activities	5	(982)	-
Profit on ordinary activities after taxation	10	<u><u>7,202</u></u>	<u><u>501,788</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

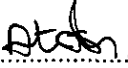
There are no recognised gains and losses other than those passing through the profit and loss account.

VECTOR GAS LIMITED

BALANCE SHEET AS AT 30 JUNE 2000

	Notes	2000		1999	
		£	£	£	£
Fixed assets					
Intangible assets	6		444,232		230,075
Current assets					
Debtors	7	7,766,752		5,031,134	
Cash at bank and in hand		52,673		243,601	
		<u>7,819,425</u>		<u>5,274,735</u>	
Creditors: amounts falling due within one year	8	<u>(7,128,916)</u>		<u>(4,377,271)</u>	
Net current assets			<u>690,509</u>		<u>897,464</u>
Total assets less current liabilities			<u><u>1,134,741</u></u>		<u><u>1,127,539</u></u>
Capital and reserves					
Called up share capital	9		2,700,000		2,700,000
Profit and loss account	10		(1,565,259)		(1,572,461)
Shareholders' funds - equity interests	11		<u><u>1,134,741</u></u>		<u><u>1,127,539</u></u>

The financial statements were approved by the Board on 24 January 2001



 J.A. McIntosh
 Director

VECTOR GAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cashflow statement on the grounds that it is a wholly owned company for which the UK group is preparing a cashflow statement.

1.2 Turnover

Turnover, stated exclusive of value added tax, represents the sales value of gas supplied during the year. Turnover includes an estimate of gas supplied to customers between the date of the last meter reading and the year end. All turnover arises from continuing operations within the United Kingdom.

1.3 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

1.4 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the director, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit

Period ended 30 June 1999	Year ended 30 June 1998
£	£

Operating profit is stated after charging:

Amortisation of intangible assets

11,508

-

Auditors' remuneration

9,000

15,000

Remuneration of auditors for non-audit work

-

22,549

4 Interest payable

2000

1999

£

£

On bank loans and overdrafts

15,465

8,909

VECTOR GAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

5	Taxation	2000	1999
		£	£
	Prior years		
	U.K. corporation tax	982	-
		<u> </u>	<u> </u>

The company has estimated losses of £547,500 (1999 - £566,500) available for carry forward against future trading profits.

On the basis of these financial statements no provision has been made for corporation tax.

6	Intangible fixed assets	Goodwill
		£
	Cost	
	At 1 July 1999	230,075
	Additions	225,665
		<u> </u>
	At 30 June 2000	455,740
	Amortisation	
	At 1 July 1999	-
	Charge for year	11,508
		<u> </u>
	At 30 June 2000	11,508
	Net book value	
	At 30 June 2000	<u>444,232</u>

7	Debtors	2000	1999
		£	£
	Trade debtors	1,821,513	1,203,093
	Amounts owed by parent and fellow subsidiary undertakings	3,033,853	2,238,318
	Other debtors	24,256	54,530
	Prepayments and accrued income	2,887,130	1,535,193
		<u>7,766,752</u>	<u>5,031,134</u>

VECTOR GAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

8	Creditors: amounts falling due within one year	2000	1999
		£	£
	Trade creditors	886,177	1,218,658
	Amounts owed to parent and fellow subsidiary undertakings	3,327,023	1,561,199
	VAT payable	925,921	521,717
	Other creditors	-	39,029
	Accruals and deferred income	1,989,795	1,036,668
		<u>7,128,916</u>	<u>4,377,271</u>
9	Share capital	2000	1999
		£	£
	Authorised		
	1,350,000 'A' Ordinary shares of £ 1 each	1,350,000	1,350,000
	1,350,000 'B' Ordinary shares of £ 1 each	1,350,000	1,350,000
		<u>2,700,000</u>	<u>2,700,000</u>
	Allotted, called up and fully paid		
	1,350,000 'A' Ordinary shares of £ 1 each	1,350,000	1,350,000
	1,350,000 'B' Ordinary shares of £ 1 each	1,350,000	1,350,000
		<u>2,700,000</u>	<u>2,700,000</u>
	Class A and B shares are the same in all respects.		
10	Statement of movements on profit and loss account		
			Profit and loss account £
	Balance at 1 July 1999		(1,572,461)
	Retained profit for the year		7,202
	Balance at 30 June 2000		<u>(1,565,259)</u>
11	Reconciliation of movements in shareholders' funds	2000	1999
		£	£
	Profit for the financial year	7,202	501,788
	Opening shareholders' funds	1,127,539	625,751
	Closing shareholders' funds	<u>1,134,741</u>	<u>1,127,539</u>

VECTOR GAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000

12 Contingent liabilities

As at 30 June 2000 a fellow wholly-owned subsidiary undertaking of Quantum Energy Group Limited had committed to the purchase of a volume of gas at fixed prices up to 31 December 2001 as a hedge against customer contracts of the company and another subsidiary undertaking. As at 30 June 2000 the market value of these contracts showed an unrealised profit of £1.7M. Under current accounting practice it would be considered imprudent to account for this unrealised profit of £1.7M in the financial statements of the fellow subsidiary undertaking for the year ended 30 June 2000. On 14 December 2000, the Accounting Standards Board issued a consultation paper entitled "Financial Instruments and similar items", which if introduced may require the fellow subsidiary undertaking to account for similar unrealised profits in future years. If the unrealised profits were included in the accounts then a review of customer contracts would be required under FRS12 "Provisions, contingent liabilities and contingent assets" and a provision required for loss-making contracts arising from the need to purchase gas at market spot rates rather than from the future hedge.

13 Employees

Number of employees

There were no employees during the year apart from the directors.

14 Going concern

The group currently requires a bank overdraft facility to meet its day to day working capital requirements. This facility expires on 30 April 2001. The group is actively seeking alternative ways of financing its day to day funding requirements that would dispense with the need for an overdraft.

On the basis of the group's plans and the successful outcome arising from the various options available, these financial statements are prepared on a going concern basis.

15 Control

The holding company is Quantum Energy Distribution Limited, a company registered in England and Wales. The ultimate parent company is Quantum Energy Group Limited, a company registered in England and Wales.

Quantum Energy Group Limited prepares group financial statements, copies of which can be obtained from The Exchange, 1 Brent Cross Gardens, London, NW4 3RJ.

16 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

17 Post balance sheet events

Soon after the year end, the company acquired the customer base of Saturn Gas Limited, in administrative receivership.

In January 2001 Barings European Fund (GP) agreed to invest a further £1M in the ultimate parent company, Quantum Energy Group Limited.