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Company Registration No. 2706333

**VOLUNTEER ENERGY LIMITED**

**Report and Financial Statements**

**30 September 1998**

Deloitte & Touche  
Colmore Gate  
2 Colmore Row  
Birmingham  
B3 2BN





**REPORT AND FINANCIAL STATEMENTS 1998**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Statement of directors' responsibilities</b>	<b>4</b>
<b>Auditors' report</b>	<b>5</b>
<b>Profit and loss account</b>	<b>6</b>
<b>Balance sheet</b>	<b>7</b>
<b>Notes to the accounts</b>	<b>8</b>



**REPORT AND FINANCIAL STATEMENTS 1998**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

A W Bowman  
Ms E R Stein

**SECRETARY**

Ms E R Stein

**REGISTERED OFFICE**

Hollinswood House  
Stafford Park 1  
Telford  
Shropshire TF3 3DD

**BANKERS**

Barclays Bank PLC  
50 Pall Mall  
London SW1A 1QF

**SOLICITORS**

Moss & Poulson  
4 Claremont Bank  
Shrewsbury SY1 1RS

Denton Hall  
5 Chancery Lane  
London EC4A 1BU

Arter & Hadden  
925 Euclid Avenue  
110 Huntington Building  
Cleveland, Ohio  
USA 44115 - 1475

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Colmore Gate  
2 Colmore Gate  
Birmingham B3 2BN



## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 30 September 1998.

### **ACTIVITIES**

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

### **REVIEW OF THE BUSINESS AND FUTURE PROSPECTS**

**Volunteer Energy's mission is** "We are a progressive and creative energy and utilities service provider. We strive for growth and efficiency and to share the resulting benefits with our staff and customers. This means embracing change and new technologies but never forgetting traditional values and treating our customers and employees with honesty and respect."

In the past 12 months, Volunteer has sought to be a more substantial company and with the backing of our US parent company, we have devoted additional resources (staff and working capital) to support our growth. As we started the financial year 1998 our customer portfolio in terms of gas volumes was four times higher than at the start of 1997, and today it is 9 times higher. Turnover for 1998 reached £6 million and is forecast to exceed £7 million in 1999. Our expanded customer base now includes General Electric of the USA, Alcoa, Sunlight Services, Goodyear, Pfizer and several local authorities.

VEL looks forward to the future with confidence. The investments made in previous years are now bearing fruit. Our growth has been carefully managed and will continue to be so – we will not sacrifice margin simply to gain new business or increase market share. Although the company did not make a profit in 1997/98, the directors are confident that the company will do so in future years.

On 10 November 1998, the Volunteer Group became wholly owned by The Williams Companies, Inc. the largest volume transporter of natural gas in the USA. Williams has an asset base in excess of US\$ 14 billion.

### **DIVIDENDS AND TRANSFERS TO RESERVES**

The directors do not recommend the payment of a dividend. The loss for the year of £488,629 (1997 - loss of £480,342) has been transferred to reserves.

### **DIRECTORS AND THEIR INTERESTS**

The directors, who served throughout the year, are:

J D Ryan (resigned 9 October 1997)  
R L Ennis (resigned 10 November 1998)  
J D Johnson (resigned 10 November 1998)  
A W Bowman  
Ms E R Stein (appointed 1 October 1997)

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 1997 and 30 September 1998 were:

	1998 Shares	1997 Shares
R L Ennis	364	364
J D Johnson	447	447
A W Bowman	-	-
Ms E R Stein	-	-



**DIRECTORS' REPORT**

**POST BALANCE SHEET EVENT**

With effect from 10 November 1998, the ultimate parent company, Volunteer Energy Corporation, was taken over by an American company, The Williams Companies, Inc.

**YEAR 2000**

The directors have considered the impact of the Year 2000 on its systems and operations and have taken all appropriate action, to the best of their knowledge and belief, to ensure that there is no significant disruption to the business. The cost of carrying out any modification work in relation to the above is not considered material.

**AUDITORS**

Deloitte & Touche 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

Ms E R Stein  
Director

**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 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' 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 at 30 September 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

Chartered Accountants and Registered Auditors

15 APRIL 1999



**PROFIT AND LOSS ACCOUNT**  
**Year ended 30 September 1998**

	Note	1998 £	1997 £
<b>TURNOVER</b>	3	5,865,354	2,163,823
Cost of sales		(5,669,430)	(2,043,014)
Gross profit		195,924	120,809
Administrative expenses		(638,926)	(586,272)
<b>OPERATING LOSS</b>	5	(443,002)	(465,463)
Bank interest receivable		4,389	2,194
Interest payable and similar charges	6	(50,016)	(27,563)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(488,629)	(490,832)
Tax on loss on ordinary activities	7	-	10,490
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION BEING LOSS FOR THE FINANCIAL YEAR</b>		<u>(488,629)</u>	<u>(480,342)</u>

All activities derive from continuing operations.

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





**BALANCE SHEET**  
**30 September 1998**

	Note	£	1998 £	£	1997 £
<b>FIXED ASSETS</b>					
Tangible assets	8		112,000		132,620
<b>CURRENT ASSETS</b>					
Stocks	9	22,955		10,915	
Debtors	10	1,131,941		556,911	
Cash at bank and in hand		165		160,898	
			<u>1,155,061</u>		<u>728,724</u>
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(1,755,304)</u>		<u>(860,958)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(600,243)</u>		<u>(132,234)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>(488,243)</u>		<u>386</u>
<b>CAPITAL AND DEFICIENCY</b>					
Called up share capital	13		445,000		445,000
Profit and loss account			<u>(933,243)</u>		<u>(444,614)</u>
<b>EQUITY SHAREHOLDERS' (DEFICIT)/FUNDS</b>	15		<u>(488,243)</u>		<u>386</u>

These financial statements were approved by the Board of Directors on *15th April 1999*.  
Signed on behalf of the Board of Directors

Ms E R Stein  
Director

**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1998****1. BASIS OF PREPARATION**

Since its inception in 1992, the company has relied upon its parent company to provide financial support in the form of guarantees, line-of-credit or other features. The natural gas marketing business is recognised as cyclical in nature with reference to profitability. The company has acknowledged this feature of its business and has always looked toward the long-term for its involvement in natural gas marketing.

The directors have received written confirmation from the new ultimate parent undertaking, The Williams Companies, Inc., (see note 19) that they will continue to provide the necessary finance to enable Volunteer Energy Limited to meet its commitments as they fall due for a period of at least 12 months following the approval of these financial statements as long as the company remains under its control. On this basis the directors consider that it is appropriate to prepare the financial statements on the going concern basis.

**2. 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:

Leasehold improvements	Over the period of the lease
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**

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

**Pension costs**

Contributions to the defined contribution scheme are charged in the period in which they arise.



**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1998**

**3. 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.

	1998	1997
	£	£
<b>Geographical analysis of turnover by destination</b>		
United Kingdom	5,865,354	2,045,669
Other European countries	-	118,154
	<u>5,865,354</u>	<u>2,163,823</u>

**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	1998	1997
	£	£
<b>Directors' emoluments</b>		
Emoluments	113,275	108,574
Pension contributions	800	-
	<u>114,075</u>	<u>108,574</u>

During the year one director was a member of the money purchase scheme for which contributions have been paid by the company. There were no members in the previous year.

	No	No
<b>Average number of persons employed (including directors)</b>		
Sales and distribution	7	6
Administration	11	9
	<u>18</u>	<u>15</u>
	£	£
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	378,336	323,068
Social security costs	42,212	39,605
Pension costs	3,277	-
	<u>423,825</u>	<u>362,673</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1998**

**5. OPERATING LOSS**

<b>This is stated after charging/(crediting):</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Depreciation and amortisation		
Owned assets	49,298	42,417
Assets held under finance leases	-	4,954
Profit on disposal of fixed assets	(4,892)	(1,563)
Rentals under operating leases		
Equipment	1,732	1,732
Land and buildings	29,676	35,741
Auditors' remuneration		
Audit services	3,300	3,190
	<u>3,300</u>	<u>3,190</u>

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Bank loans, overdrafts and other loans repayable within five years	2,398	4,874
Finance charges – finance leases	-	983
Other interest	47,618	21,706
	<u>50,016</u>	<u>27,563</u>

**7. TAX ON LOSS ON ORDINARY ACTIVITIES**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Corporation tax recoverable based on the results of the year at 25%	-	(10,490)
	<u>-</u>	<u>(10,490)</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1998**

**8. TANGIBLE FIXED ASSETS**

	Leasehold improvements	Motor vehicles	Fixtures, fittings and office equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 October 1997	10,556	93,407	118,973	222,936
Additions	-	3,864	50,722	54,586
Disposals	-	(41,420)	(982)	(42,402)
At 30 September 1998	<u>10,556</u>	<u>55,851</u>	<u>168,713</u>	<u>235,120</u>
<b>Accumulated depreciation</b>				
At 1 October 1997	5,213	26,895	58,208	90,316
Charge for the year	2,111	18,711	28,476	49,298
Disposals	-	(15,614)	(880)	(16,494)
At 30 September 1998	<u>7,324</u>	<u>29,992</u>	<u>85,804</u>	<u>123,120</u>
<b>Net book value</b>				
At 30 September 1998	<u>3,232</u>	<u>25,859</u>	<u>82,909</u>	<u>112,000</u>
At 30 September 1997	<u>5,343</u>	<u>66,512</u>	<u>60,765</u>	<u>132,620</u>

At 30 September 1998 and 30 September 1997 the amount of capital expenditure authorised by the directors which had been contracted for but not provided for was £Nil.

**9. STOCKS**

	1998 £	1997 £
Natural gas	<u>22,955</u>	<u>10,915</u>

**10. DEBTORS**

	1998 £	1997 £
Trade debtors	1,102,134	536,372
Other debtors	7,828	8,085
Prepayments and accrued income	21,979	12,454
	<u>1,131,941</u>	<u>556,911</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1998**

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1998 £	1997 £
Bank overdraft	123,314	-
Trade creditors	753,407	131,178
Amounts owed to group undertakings	825,030	427,983
Other taxes and social security	40,349	11,832
Accruals and deferred income	13,204	289,965
	<u>1,755,304</u>	<u>860,958</u>

**12. DEFERRED TAXATION**

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

	Provided		Not provided	
	1998 £	1997 £	1998 £	1997 £
Capital allowances in excess of depreciation	-	-	(616)	881
Short term timing differences	-	-	(194,274)	(93,257)
	<u>-</u>	<u>-</u>	<u>(194,890)</u>	<u>(92,376)</u>

**13. CALLED UP SHARE CAPITAL**

	1998 £	1997 £
<b>Authorised</b> 1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
<b>Called up, allotted and fully paid</b> 445,000 Ordinary shares of £1 each	<u>445,000</u>	<u>445,000</u>

**14. PROFIT AND LOSS ACCOUNT**

	£
Balance at 1 October 1997	(444,614)
Retained loss for the year	<u>(488,629)</u>
Balance at 30 September 1998	<u>(933,243)</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 30 September 1998**

**15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' (DEFICIT)/FUNDS**

	1998 £	1997 £
Loss for the financial year	(488,629)	(480,342)
Shares issued	-	300,000
Net reduction in shareholders' funds	(488,629)	(180,342)
Opening shareholders' funds	386	180,728
Closing shareholders' (deficit)/funds	(488,243)	386

**16. PENSIONS**

The company set up a defined contribution pension scheme on 1 July 1998, the assets of which are held separately from those of the company. Contributions to the scheme during the year were £3,277 (1997 - £Nil).

**17. FINANCIAL COMMITMENTS**

**Gas purchase commitments**

At 30 September 1998 the company was committed to paying £2,443,094 (1997 - £2,100,000) during the next year under certain gas purchase contracts.

**Operating lease commitments**

At 30 September 1998 the company was committed to making the following payments during the next year in respect of operating leases.

	Land and buildings		Other	
	1998 £	1997 £	1998 £	1997 £
Leases which expire:				
Within one year	14,189	3,200	-	-
Within two to five years	-	18,918	7,468	1,732
	<u>14,189</u>	<u>22,118</u>	<u>7,468</u>	<u>1,732</u>

**18. ULTIMATE PARENT COMPANY**

At 30 September 1998, the company's ultimate parent company was Volunteer Energy Corporation, a company incorporated in the United States of America. Copies of the group accounts may be obtained from Volunteer Energy Corporation, 2602 Oakstone Drive, Columbus, Ohio, U.S.A., 43231.

**19. POST BALANCE SHEET EVENT**

With effect from 10 November 1998 the ultimate parent company, Volunteer Energy Corporation, was taken over by The Williams Companies, Inc. in the USA.