

Company Number: 4184478
Charity Number: 1086559

WORLD ENERGY COUNCIL
(A Company Limited By Guarantee)
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

**WORLD ENERGY COUNCIL
YEAR ENDED 31 DECEMBER 2005**

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WORLD ENERGY COUNCIL
TRUSTEES REPORT
YEAR ENDED 31 DECEMBER 2005

The Board of Trustees, who are also the Directors of the World Energy Council (“the Charity”), present their annual report for the year ended 31 December 2005 under the Companies Act 1985 and the Charities Act 1993, together with the audited financial statements for the year.

The financial statements comply with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended “Accounting and Reporting by Charities” (SORP 2000).

REFERENCE AND ADMINISTRATIVE DETAILS

The World Energy Council, also known as WEC, is a registered charity (No. 1086559) and a company (No. 4184478) limited by guarantee, registered under the laws of England and Wales. Its registered office is as shown on page 1.

The present Trustees, and any past Trustees who served during the year, are given on page 1. The Trustees of the Charity serve as its Officers Council and are also the Directors of WEC Services Limited, the Charity’s trading subsidiary.

Further legal and administrative details are set out on page 1.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Charity is governed by its Memorandum and Articles of Association, which were adopted on 21 March, 2001.

The Charity is comprised of autonomous Member Committees in 94 countries. Each Member Committee is entitled to be represented in the Executive Assembly, which is the ultimate governing authority for the Charity. All Member Committees have one vote, regardless of size or subscription category. The Executive Assembly meets once a year to conduct the business of WEC. The Chair of the World Energy Council serves as Chair of the Executive Assembly and presides over its meetings.

The Memorandum and Articles provide for up to twelve Trustees (officers), who are elected by the Executive Assembly. The Secretary General serves as an ex officio, non-voting member of the Trustees/Officers Council. Member Committees may suggest names of potential Trustees to the Nominations Committee, which is comprised of the WEC Chair and the Chairs of the Programmes and Studies Committees. The elected Trustees comprise the Officers Council.

Responsibility for the Charity’s main programme activities has been delegated to two Standing Committees, Programmes and Studies. These Committees were created by the Executive Assembly. The Chairs of the Programmes and Studies Committees sit on the Officers Council and report to it.

The Officers Council has established three sub-committees to which it delegates certain responsibilities:

- Communications and Outreach: Enhancing WEC’s name recognition, increasing its visibility and extending its outreach;
- Finance: Budgets and financial oversight; acts as the internal audit committee;
- Nominations: Nominating new Trustees and Standing Committee and sub-committee members.

Each of these sub-committees is required to report regularly to the Officers Council, so that all decisions made under delegated powers can be ratified by the Officers Council and, in due course, by the Executive Assembly.

Trustees are elected for three-year terms and may be re-elected once. Trustees must be or become members of WEC and are expected to be familiar with WEC’s work; participate in meetings of the Officers Council and Executive Assembly; promote WEC and its work; and be able to support their travel and other expenses associated with serving as a Trustee.

**WORLD ENERGY COUNCIL
TRUSTEES REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2005**

STRUCTURE, GOVERNANCE AND MANAGEMENT (CONTINUED)

Trustees meet at least three times a year: in May; at the AGM (usually in September/October); and in December. At these meetings, the Trustees discuss strategy, assess operational/investment performance, review financial reports and set the budgets.

New Trustees receive an induction pack containing policy and other documents governing the work of the Officers Council and the Charity. The pack also includes a description of the Trustees' fiduciary and legal responsibilities and other pertinent information necessary for effective and informed decision-making.

CHIEF EXECUTIVE/SECRETARY GENERAL

The Secretary General serves as the chief executive of the Charity and its trading subsidiary. He is responsible for the day-to-day management of the Charity's affairs and for implementing policies agreed by the Trustees. He is assisted by a group of senior managers.

GROUP STRUCTURE

Within the Charity group is its wholly owned trading subsidiary, WEC Services Limited ("WSL"). The Company carries out non-charitable trading activities to raise funds, which it donates to the Charity under a deed of covenant as Gift Aid. WSL was incorporated on 18 June 2001 and is limited by guarantee.

The liability of the members is limited. WSL's share capital is £100 divided into 100 shares of £1 each. If, upon the winding up or dissolution of the Company and after the satisfaction of all its debts and liabilities, there remains any property, this is not paid to or distributed among the members of the Company but is given or transferred to the Charity.

By deed of covenant, WSL makes a Gift Aid payment no later than 30 September of the following year to the Charity, after due provision for the financial requirements of any business carried on by the Company which would absorb or extinguish profits that would otherwise be available for distribution. During 2005, WSL made an operating profit of £38,402 (2004: £336,000).

WSL's primary activities and outcomes for the reporting period were focused on carrying out trading and commercial partnership activities on behalf of the Charity to generate revenue to support the WEC work programme. These activities included:

- Signing a contract with Petroleum Economist to co-publish a series of topical regional reports leading up to the 2007 Congress. The value of the contract is £80,000+, with WSL receiving a portion of the advertising revenues from each report. The first report in the series, on Africa and Asia, was published in December, 2005.
- Sales of WEC publications from the 2002-2004 work cycle, with the majority of sales being processed through the website. The total value of publication sales for the year was £8,100 [2004: £12,000].
- Development of the Congress Content Management System for the GEIS website; this system will be used to accept and process the papers for the 2007 Rome Congress.
- The first year of data gathering and analysis for the 2007 Survey of Energy Resources; the Rome Congress organisers pay for production and preparation of this publication

Results of these activities are disclosed in Note 14 of the consolidated financial statements and in the separate financial statements for WSL.

WORLD ENERGY COUNCIL
TRUSTEES REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2005

STATEMENT OF TRUSTEES' RESPONSIBILITIES AND CORPORATE GOVERNANCE

The Trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

The Trustees are responsible for their annual report as well as for preparation of financial statements for each financial year which provide a true and fair view of the incoming resources, the application of such resources for the Charity and Group during the year and the state of affairs at the end of the financial year. In preparing these financial statements, the Trustees are required to:

- Ensure that the most suitable accounting policies are established and applied consistently;
- Make judgements and estimates which are reasonable and prudent;
- State whether the applicable accounting standards and statement of recommended accounting practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Charity will continue in operation.

The Trustees are responsible for ensuring that the Charity has appropriate systems and controls, financial and otherwise. They are also responsible for keeping proper accounting records which at any time disclose with reasonable accuracy the financial position of the Charity and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Charity and for their proper application as required by charity law, which means they must take reasonable steps to prevent and detect fraud and other irregularities and to provide reasonable assurance that:

- The Charity is operating efficiently and effectively;
- All assets are safeguarded against unauthorised use or disposition and are properly applied;
- Proper records are maintained and financial information used within the Charity, or for publication, is reliable;
- The Charity complies with relevant laws and regulations.

CORPORATE GOVERNANCE

Internal controls over all forms of commitment and expenditure continue to be refined to improve efficiency. Processes are in place to ensure that performance is monitored and that appropriate management information is prepared and reviewed regularly by both the executive management and the Trustees.

A programme of internal controls is in place, derived from a comprehensive annual risk assessment. The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:

- A business plan and annual budget approved by the Trustees and the Executive Assembly;
- Regular consideration by the Trustees of financial results, variances from budgets, non-financial performance indicators and benchmarking reviews;
- Delegation of day-to-day management authority and segregation of duties; and
- Identification and management of risks.

RISK MANAGEMENT

The Trustees have introduced a formal risk management process to assess business risks and implement risk management strategies. This has involved identifying the types of risks the Charity faces, prioritising them in terms of potential impact and likelihood of occurrence and identifying means of mitigating the risks. As part of this process, the Trustees review on an annual basis the adequacy of the Charity's current internal controls. Procedures have been established for reporting failings immediately to appropriate levels of management and to the Trustees.

**WORLD ENERGY COUNCIL
TRUSTEES REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2005**

RISK MANAGEMENT (CONTINUED)

One of the primary risks identified in 2005 was that the Sydney and Rome Congress payments and the Patrons' contributions are made in US dollars. To date, these funds have been kept in US dollars, but if they had to be converted into pounds sterling, there could be a significant loss of income due to the poor exchange rate.

OBJECTS AND PRINCIPAL ACTIVITIES OF THE CHARITY

The Charity is the leading global multi-energy organisation. Its mission is to promote the sustainable supply and use of energy for the greatest benefit of all people by:

- (a) collating data about and undertaking and promoting research into the means of supplying and using energy having, short and long term, the greatest social benefit and the least harmful impact on the natural environment, and publishing or otherwise disseminating the useful results of such research;
- (b) undertaking actions, including but not limited to, the holding of Congresses, workshops and seminars, to facilitate such supply and use of energy; and
- (c) collaborating with other organisations in the energy sector with compatible goals.

In addition to its objects, the World Energy Council also promotes the "three As" of energy accessibility, energy availability and energy aceptability by:

- Identifying energy issues, providing analyses and making policy recommendations;
- Advising energy decision-makers in government and industry;
- Facilitating dialogue between energy decision-makers, experts and civil society;
- Implementing action plans regionally and locally;
- Holding workshops, forums and information sharing sessions;
- Preparing energy strategies and long-term policy recommendations;
- Producing studies and reports for policymakers and decision-makers within and outside the energy industry;
- Promoting benchmarking, best practices and industry standards;
- Drawing attention to energy issues in developed, transitional and developing countries and facilitating technology transfer and sharing of expertise.

The objectives of these activities for the year, and the Charity's achievements against them, are discussed under "Achievements and Performance" below.

ACHIEVEMENTS AND PERFORMANCE

The Charity operates in three-year cycles, with each cycle culminating in the triennial World Energy Congress; 2005 was the first year of the 2005-2007 work cycle and the first year of implementation for the 2005-2007 Business Plan. The year's main activities focused on the five objectives in the 2005-2007 Business Plan, which supports the Charity's mission and objects. The impact of those activities is described below.

Objective 1. Rationalise and Publicise Studies and Programmes

Studies

Excellent progress has been made on the three global studies for the current work cycle: Energy Policy Scenarios to 2050, Energy and Climate Change and the 2007 Survey of Energy Resources. Each of these studies will provide increased visibility for the Charity once completed.

Scenarios is a major undertaking and is intended to enhance WEC's visibility among top level policymakers, decision-makers and government officials. The Study Group and Steering Committee have been appointed and Terms of Reference further defined. Meetings were held in most of the WEC regions to gather input from a regional perspective and to present the intended work plan and parameters for the study.

**WORLD ENERGY COUNCIL
TRUSTEES REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2005**

ACHIEVEMENTS AND PERFORMANCE (CONTINUED)

Energy and Climate Change terms of reference have been drafted, and a survey to gather data has been distributed to all Member Committees. The premise for this study, which will be published in early 2007, is that policies and measures responding to concerns about climate change are shaping energy policy and influencing energy choices. It is important for climate change policies and programmes to be tested against all three elements of energy sustainability (WEC's 3 As) in terms of their long-term effects and during the transition phase.

The **Survey of Energy Resources** has been published since 1934. It is a leading global compilation of energy resources and reserves and is unique among energy data sources. The Committee overseeing preparation of the 2007 edition is examining ways of adding value to the Survey. The data collection phase is well underway, overseen by the project consultants.

Programmes

WEC also continued its strong technical programme in 2005.

The **Performance of Generating Plant Committee** began work on compiling a global database of generating plant availability statistics and data. It hosted several regional workshops on power plant benchmarking during the year.

In collaboration with ADEME (France), the **Energy Efficiency Committee** began preparation of its triennial report on energy efficiency indicators. The Committee also held regional workshops on how energy efficiency policies and indicators help shape government policies.

The new **Task Force on Renewable Energy Financing** initiated discussions and analysis of the financing of renewable energy projects, particularly in developing countries. WEC's role is to establish and facilitate an open dialogue between the main players in the renewable energy sector to help promote a better understanding of the "current business realities" and to identify practical actions that can help bridge the present gap between the investment requirement and the availability of finance.

The **Task Force on Large Grid Reliability** was formed after the massive grid failures in Europe and the US. It implemented the first phase of its work on power systems failures, with a goal of developing a better understanding of the management of large grid systems and formulating recommendations for avoiding blackouts and enhancing security of supply in the future. It will issue an interim report, followed by a major workshop in 2006.

The **Cleaner Fossil Fuels Systems Committee** continued its ongoing work on research, development, demonstration and deployment of cleaner fossil fuels systems to meet global energy needs.

Preparations for the **Rome 2007 World Energy Congress** are well underway. By the end of 2005, the organisers had signed four major sponsors and had prepared and begun implementing a comprehensive Congress marketing plan. The Congress Planning Group worked on the preliminary draft of the Call for Papers, and the theme of the Congress, "The Energy Future in an Interdependent World", was confirmed.

Objective 2. Boost the Charity's Regional Presence by Establishing and Implementing Three-Year Regional Action Plans

In order to stress the important role of the WEC regions, each region, under the leadership of the Regional Vice Chairs, has developed its own Action Plan, which describes key challenges in the region and outlines targeted goals and priorities to address these challenges. Ongoing activities across all regions consist of regional meetings and forums; practical workshops, information sharing/networking sessions and development of strategies to increase WEC's visibility and name recognition.

WORLD ENERGY COUNCIL
TRUSTEES REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2005

ACHIEVEMENTS AND PERFORMANCE (CONTINUED)

Each region also focused on one or more studies on topics of particular interest to the region:

- Africa: African energy integration study published in 2005
- Latin America/Caribbean: Urban poverty study has been completed and will be published in 2006
- Asia: Asia-Pacific cross border project, 3rd phase
- Europe: Studies on energy security and nuclear's role in Europe underway; ongoing work on specific sub-regional issues, e.g., urban energy system optimisation in Southeast Europe, establishment of a regular, high level Europe-Russia dialogue on cooperation in energy
- North America: Three studies underway on regional energy trade, energy diversification and energy efficiency.

The Centre of Excellence for Sustainable Energy (CESE) in Manila (Asia region), a joint project of WEC, the government of the Philippines and the UK DTI, continued its successful work. The contract with the UK-DTI to support the Manila CESE was renewed, and negotiations are underway to expand the Centres of Excellence into other regions, especially Africa and Latin America.

With the move to make all Regional Coordinators fulltime, a much higher level of support will be provided to assist the regions in carrying out the stated goals of their Regional Action Plans.

Objective 3. Enhance Communications and Outreach

In 2005, the Communications & Outreach Committee developed an overall Communications Plan for the Charity. Key components of the strategy are being implemented, including:

- Development of a strategic media plan and a regional communications network;
- Appointment of an ad hoc task force to develop a proposal for a new WEC flagship publication; draft proposal and funding for the new publication were approved in December, 2005;
- Preliminary discussion on the review and redesign of the Charity's Global Energy Information System website;
- Development of a new corporate image for the Charity;
- Preparation of a Communications Tool Kit to help members promote WEC and its key messages;
- Establishment of the new senior management position, Director of Communications, at the London office; this position will be responsible for implementing the Communications Plan. The Secretary General has been authorised to hire a search firm which will conduct a worldwide search for an experienced, senior-level communications person to fill the position;
- Publication of the 2005 WEC Statement on "Delivering Sustainability: Challenges and Opportunities for the Energy Industry", which summarised the conclusions from the 19th World Energy Congress, held in Sydney, Australia in September, 2004.
- Publication and dissemination of the report on Phase II of the African Energy Integration Study in late August, with distribution to African leaders and the media.

Objective 4. Reinforce Membership Support

The Secretary General, officers and senior managers from the London office staff visited over 40 Member Committees in 2005 to speak about WEC's current work programme, outline progress on the studies and technical programmes and provide support and advice. Qatar and Kuwait were approved as WEC's newest members in early 2005, while Angola, El Salvador and Singapore were withdrawn from membership. The total number of Member Committees at the end of 2005 was 94.

The Communications Tool Kit introduced in November will assist Members Committees in delivering WEC's messages, recruiting and retaining their members and promoting their own Committee's activities. The Tool Kit, which is CD-based and contains templates, text documents, Web-based

presentations and an image library, was distributed to Member Committees in late November. An update is planned for mid-2006.

WORLD ENERGY COUNCIL
TRUSTEES REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2005

Objective 5. Balance the Budget

Year-end estimates for 2005 showed that the budget would be on target, with no significant overspends. Membership subscriptions continued to be paid on time by the vast majority of Member Committees, with 45 Committees paying by 28 February to take advantage of the 5% "early payment" discount. Arrears as of 31 December were the lowest in several years due to the hard work of the Regional Vice Chairs, the London office staff and the Regional Coordinators.

WEC Chairman André Caillé continued his WEC Patrons programme to attract additional funding for the WEC Foundation, which supports the WEC work programme. At the end of 2005, he had signed nine Patrons who will each contribute \$300,000 over the next three year; in two additional cases, this contribution has been made in the form of a personnel secondment to the London office.

FINANCIAL REVIEW AND RESULTS FOR THE YEAR

The Statement of Financial Activities (SoFA), set out on page 12, shows the following results for the year.

Income Generation

Income generation during the year was £1,952,000 (2004: £1,884,000). The two primary sources of income were membership subscriptions and the WEC Patrons programme. This total is a significant achievement, and the Charity thanks all its Member Committees and supporters, including the 2005 WEC Patrons, for helping to achieve this income level.

Subscription income was £1,165,000 (2004: £1,139,000) for the year, including a healthy recovery of arrears. The Patrons contributed £513,000 (2004: £139,000), which was added to the designated fund, the WEC Foundation.

WSL's 2004 year-end net profit of £336,000, which was derived from the payments made by the 2004 Sydney Congress organisers, was transferred from WEC Services Limited to WEC Charity under the Gift Aid provision in early 2005. WSL's profit for 2005 is £38,402, which will be transferred to the Charity as a Gift Aid in 2006.

Resources Expended and Services

Total resources expended by WEC and WSL in 2005 amounted to £1,656,000 (2004: £1,636,000). This included expenditures of £729,000 (2004: £503,000) on the work programme. See Note 3 for further details of resources expended.

FINANCIAL MANAGEMENT POLICIES

Investment Policy and Returns

WEC's overall investment policy is based on a conservative, low-risk approach to preserve capital while still providing modest to good returns. This is mainly achieved through the use of Charity Commission-recommended Common Investment and Deposit Funds, which minimise risk by using a spread of professionally selected funds. WEC's investment policy does not set specific ROI or income targets.

The separate investment policies for the Charity and the Foundation Fund are reviewed annually and have the following objectives:

- a) Controlling the Charity's investments;
- b) Ensuring the investments are adequately diversified;
- c) Ensuring the investments are appropriate for the capital and income objectives of the Charity.

The investments of WEC (excluding the WEC Foundation), which consist principally of cash surpluses, are placed in high-interest, long-term deposits. WEC Charity, by policy, does not invest in equity funds.

WEC Services Ltd. does not hold any investments.

**WORLD ENERGY COUNCIL
TRUSTEES REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2005**

FINANCIAL MANAGEMENT POLICIES (CONTINUED)

An additional investment guideline for the Foundation Fund regarding the division between funds aims to maintain the following range:

Equity based funds – major part of capital monies	70 – 90%
Fixed interest funds – minor part of capital monies	10 – 30%
Cash deposit funds – variable part of short-term cash funds	Income from dividends & interest

Fund managers for the Charity and the Foundation are listed on page 1 of these financial statements. All funds are invested with top-tier UK banks or other institutions, such as Common Deposit and Investment Funds approved by the Charity Commission.

In 2005, the market remained steady, providing £33,000 in dividends and £12,000 in interest from the Charity's investments.

The budgeted interest and dividend figure for WSL was lower than anticipated because the Congress payments were transferred to the Charity early in the year.

The Foundation's assets grew to £1,486,000.

No investments were sold during the period.

At 31 December 2005, the group investments, excluding cash deposits, were valued at £903,000 (2004: £793,000).

Free Reserves

Free reserves available for use by the Charity are deemed to be those that are readily realisable, less funds whose uses are restricted or designated for particular purposes. For 2005, free reserves of £263,000 (general reserves less fixed assets) were held as of 31 December.

WEC's reserves policy stipulates that total unrestricted reserves of 20% of cash expenditures from the previous year are required, not counting the unrestricted but designated funds of the WEC Foundation. Of this reserve, 4/5 (80%) is intended to meet operating expenses for at least two months. The remaining 1/5 (20%) is intended to safeguard the Charity's work programme commitments in the event of delays in receipt of partnership grants, lower than expected earnings by the WEC Foundation or a lower than expected performance by the trading subsidiary in non-Congress years. For 2005, the level of reserves required according to the stated policy was £327,000 (20% of £1,636,000 expended in 2004). The Trustees have noted the difference between free reserves and the stated policy, however there are sufficient reserves within the WEC Foundation to support the work programmes.

The Trustees review annually the value of the reserves retained in the form of investments, cash and cash equivalents not held for restricted purposes or designated projects.

They consider the Charity's exposure to major risks in terms of the likely impact on its income sources and planned expenditure in the short to medium term. They also assess the best way to mitigate such risks. With income, the major risks are a decline in subscription revenues, failure to meet the Patron programme targets, a significant downturn in the market, and, more remotely, failure of the Congress organisers to pay the contracted amount to the Charity.

EMPLOYEES

The Charity aims to be an organisation where employees enjoy a sense of fulfilment and feel supported and developed. Employees are kept informed about the Charity's strategy, objectives and work programme through regular staff meetings and briefings. Employees are encouraged to give their suggestions and views on the Charity's aims, objectives, work programme and business plan.

WEC/WSL do not discriminate, nor tolerate discrimination, on the grounds of colour, race, ethnic or national origin, religion, disability, marital status or sex, either in the hiring process or in the workplace. All employees are expected to adhere to this policy.

**WORLD ENERGY COUNCIL
TRUSTEES REPORT (CONTINUED)
YEAR ENDED 31 DECEMBER 2005**

FUTURE PLANS

We believe the Charity has a sound financial basis upon which to build for the future. The 2005-2007 work programme is well underway. Plans for the 2007 Rome Congress are moving ahead. We continue to strengthen the Charity's member support and recruitment/retention efforts, to seek beneficial partnerships with other organisation and to enhance the Charity's visibility and name recognition. The key objectives of the 2005-2007 Business Plan will guide our efforts in the run-up to the Rome Congress.

CHANGES IN FIXED ASSETS

The movements in fixed assets during the year are set out later in these financial statements.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors of the Company (who are also the Trustees of the Charity) during the year are listed on page 1. New Directors appointed at the Sydney Executive Assembly assumed their seats on 1 November and are also listed on page 1 of this report.

All Directors are guarantors.

AUDITORS

A resolution to reappoint Horwath Clark Whitehill LLP will be put to the Board at the Annual General Meeting.

Approved by the Board on 5 May, 2006, and signed on behalf of the Board by

André Caillé
Chair
World Energy Council

Asger Bundgaard-Jensen
Chair
Finance Committee

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WORLD ENERGY COUNCIL

We have audited the financial statements of World Energy Council for the year ended 31 December 2005 which comprise the Consolidated Statement of Financial Activities, the Charity and Consolidated Balance Sheets and related notes set out on pages 14 to 23. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 14 to 16.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinion we have formed.

Respective Responsibilities Of Trustees And Auditors

As described in the Statement of Trustees' Responsibilities on page 4 the directors who are also the charity's trustees under charity law are responsible for the preparation of the Trustees Report and financial statements in accordance with applicable law.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Trustees' Report is not consistent with the financial statements, if the charitable 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 Trustees' remuneration and transactions with the charitable company is not disclosed.

We read other information contained in the Trustees Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable 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.

Unqualified Opinion

In our opinion the financial statements give a true and fair view in accordance with the United Kingdom Generally Accepted Accounting Practice of the state of affairs of the charitable company and the group as at 31 December 2005 and of its incoming resources and application of resources, including the group's income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Horwath Clark Whitehill LLP
Chartered Accountants and Registered Auditors
Date

St Bride's House
10 Salisbury Square
London EC4Y 8EH

WORLD ENERGY COUNCIL
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(Incorporating an Income and Expenditure Account)
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Restricted £'000	Unrestricted £'000	Group Total 2005 £'000	As restated Group Total 2004 £'000
INCOMING RESOURCES					
Income from activities in furtherance of the Charity's objects					
Subscription fees		-	1,165	1,165	1,139
Patron income		-	513	513	139
Project income		104	-	104	52
Gifts in kind		-	25	25	20
Activities for generating funds					
Royalties, publication sales, internet revenues		-	30	30	79
Other income		-	22	22	47
Interest		-	12	12	16
Dividends		-	33	33	26
Foreign Exchange gain		-	48	48	-
Congress Income		-	-	-	366
Total incoming resources	2d	<u>104</u>	<u>1,848</u>	<u>1,952</u>	<u>1,884</u>
RESOURCES EXPENDED					
Charitable Expenditure					
Cost of activities of the Charity's objects					
Subscription costs		-	434	434	477
Work programme		71	658	729	503
Congress expenditure		-	-	-	29
Gifts in kind		-	25	25	20
Support costs		-	454	454	597
Governance costs		-	14	14	10
Total resources expended	3	<u>71</u>	<u>1,585</u>	<u>1,656</u>	<u>1,636</u>
Net income for the year		33	263	296	248
Other recognised gains					
Gains on investments	8	<u>-</u>	<u>110</u>	<u>110</u>	<u>45</u>
Net movement in funds		33	373	406	293
Accumulated fund balances brought forward		2	1,457	1,459	1,166
Accumulated Fund balances carried forward		<u>35</u>	<u>1,830</u>	<u>1,865</u>	<u>1,459</u>

All of the activities are continuing. There were no recognised gains or losses other than those stated above.

The notes on pages 14 to 23 form part of these financial statements.

WORLD ENERGY COUNCIL
CONSOLIDATED AND CHARITY BALANCE SHEET
AS AT 31 DECEMBER 2005

	Notes	Group 2005 £'000	Charity 2005 £'000	<i>Group 2004 £'000</i>	<i>Charity 2004 £'000</i>
FIXED ASSETS					
Tangible assets	7	81	81	69	69
Investments	8	903	903	793	793
		984	984	862	862
CURRENT ASSETS					
Debtors	9	388	409	278	697
Short term deposits		4	4	367	3
Cash at bank and in hand		751	719	229	153
		1,143	1,132	874	853
CREDITORS: amounts falling due within one year	10	262	251	277	256
NET CURRENT ASSETS		881	881	597	597
TOTAL ASSETS		1,865	1,865	1,459	1,459
FUNDS					
Restricted	12 & 13	35	35	2	2
Unrestricted					
Designated Fund – WEC Foundation		1,486	1,486	950	950
Other		344	344	507	507
		1,865	1,865	1,459	1,459

These financial statements were approved by the Trustees on 5 May, 2006, and signed on its behalf:

André Caillé
Chair
World Energy Council

Asger Bundgaard-Jensen
Chair
Finance Committee

The notes on pages 14 to 23 form part of these financial statements.

WORLD ENERGY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

1. STRUCTURE OF GROUP

World Energy Council is comprised of two legal entities:

World Energy Council (WEC), a Charity registered under the laws of England and Wales. The WEC Foundation is a designated fund within the Charity which administers and invests income from the Patrons programme and the World Energy Congress. The proceeds of the investments are used primarily to fund the WEC Work Programme.

WEC Services Limited (WSL), a company limited by guarantee and registered in England and Wales, incorporated on 18 June 2001. WSL forms the trading subsidiary of the Charity. A further description of the subsidiary is given in Note 14 and in the separate financial statements for WEC Services Limited.

2. ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, with the exception of investments, which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" published in October 2000, applicable accounting standards and the Companies Act 1985.

b) Consolidation

The financial statements of the subsidiary are consolidated with those of the Charity on a line-by-line basis.

c) Fund accounting

Unrestricted funds are funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes.

Restricted funds are subject to specific restrictions imposed by the donors. These funds are accounted for separately and are only available to be used for the specific purposes for which they were given.

Investment income and gains as well as all expenditure are allocated to the appropriate fund.

WORLD ENERGY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

2. ACCOUNTING POLICIES (CONTINUED)

d) Incoming resources

Income represents mainly the gross invoiced value of subscription fees charged to WEC members. Patron income represents corporate contributions for work programme purposes and is credited directly to the WEC Foundation, a designated fund.

The subsidiary of the Charity (WEC Services Limited) derives income mainly from the World Energy Congress held once every three years.

Investment income is recognised on a received basis. All other income is recognised on an accruals basis.

Gifts received in kind are recognised as income at the amount that would have been received had the gift been made in cash. Gifts are accounted for on a received basis.

e) Resources expended

In accordance with the Statement of Recommended Practice (SORP) 'Accounting by Charities' issued in 2000 resources expended have been classified by activity. The comparatives have been restated accordingly.

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with use of the resources.

Support costs comprise the costs of all resources utilised to support the charity's primary activities.

Management and administration costs include those costs incurred in connection with the administration of the Charity and in compliance with constitutional and statutory requirements.

f) Tangible fixed assets and depreciation

Tangible fixed assets costing more than £100 are capitalised and included at cost, including any incidental expenses of acquisition.

Tangible fixed assets are stated at historical cost less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost on a straight line basis over their expected useful lives as follows:

Leasehold improvements	- over 10 years
Office equipment and GEIS website development costs	- over 4 years

g) Investments

Investments are re-valued to market value as at the balance sheet date, and the surplus or deficit of this re-valuation is shown as unrealised gains or losses on the face of the Statement of Financial Activities. Realised gains and losses represent the difference between the sale proceeds and the opening market value of an investment or cost if purchased during the year.

WORLD ENERGY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

2. ACCOUNTING POLICIES (CONTINUED)

h) Foreign currency transactions

Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transaction. Monetary assets and liabilities are retranslated at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the Statement of Financial Activities.

i) Cash and bank balances

Amounts included in cash at bank and in hand were maintained in interlinked bank accounts; therefore, negative amounts in individual accounts do not represent overdrafts.

j) Taxation

Under Section 505 of the Income and Corporation Taxes Act of 1998, a charity is exempt from tax on its income insofar as it is applied for charitable purposes only. All of the disbursements appear to fall within the charitable objects, and consequently, no tax liability will arise.

k) Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement, as it is entitled to the filing exemptions as a small company under sections 246 to 249 of the Companies Act 1985 when filing accounts with the Registrar of Companies.

l) Operating Leases

Rentals applicable to operating leases are charged to the Statement of Financial Activities over the period in which the cost is incurred.

m) Irrecoverable VAT

WEC is not registered for VAT, and accordingly, resources expended are shown gross of irrecoverable VAT.

WORLD ENERGY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

3. CHARITABLE EXPENDITURE

	Unrestricted Fund £	Restricted Funds £	2005 Total £	<i>As restated</i> 2004 <i>Total</i> £
Subscription costs				
Staff	236	-	236	245
Bad debts	60	-	60	90
Travel and entertainment	138	-	138	142
	<u>434</u>	<u>-</u>	<u>434</u>	<u>477</u>
Work programme				
<u>Project</u>				
CESE	-	41	41	23
SER	-	29	29	23
CIDA – AFRICA	-	1	1	11
<u>Studies</u>				
Staff costs	142	-	142	46
General expenses	26	-	26	82
Scenarios	67	-	67	-
Energy & Climate Change	5	-	5	-
<u>Programmes</u>				
General expenses	7	-	7	15
Staff costs	62	-	62	50
<u>Technical programme</u>				
PGP	42	-	42	20
CFFS	3	-	3	1
EnEff	-	-	-	10
Grid Reliability	1	-	1	-
Financing Renewables	5	-	5	4
GHG database	14	-	14	10
<u>Regional programme</u>				
Staff costs	37	-	37	44
General expenses	12	-	12	13
Africa	19	-	19	22
Asia	14	-	14	26
Europe	34	-	34	29
LAC	33	-	33	-
North America	-	-	-	23
<u>Communications & Outreach</u>				
Salary costs	36	-	36	26
General expenses	19	-	19	25
Printing, design, translation	72	-	72	-
External relations	8	-	8	-
	<u>658</u>	<u>71</u>	<u>729</u>	<u>503</u>
Congress expenditure	<u>-</u>	<u>-</u>	<u>-</u>	<u>29</u>
Gift in kind	<u>25</u>	<u>-</u>	<u>25</u>	<u>20</u>

WORLD ENERGY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

3. CHARITABLE EXPENDITURE (Continued)

	Unrestricted Fund £	Restricted Funds £	2005 Total £	<i>As restated</i> 2004 <i>Total</i> £
Support costs				
Salary costs	151	-	151	274
Accommodation costs	120	-	120	119
IT GEIS	28	-	28	21
Office services	75	-	75	105
Accountancy	26	-	26	30
Legal and professional	32	-	32	20
Depreciation	18	-	18	18
Bank charges and interest	3	-	3	3
Other	1	-	1	7
	<u>454</u>	<u>-</u>	<u>454</u>	<u>597</u>
Governance costs				
Audit	12	-	12	10
Trustee meetings	2	-	2	-
	<u>14</u>	<u>-</u>	<u>14</u>	<u>10</u>
TOTAL CHARITABLE EXPENDITURE	<u>1,585</u>	<u>71</u>	<u>1,656</u>	<u>1,636</u>

4. INDEMNITY INSURANCE

In 2005, the Charity paid £1,758 (2004: £1,657) to provide insurance for the Trustees to indemnify them against the possibility of personal liabilities arising from any neglect or default on their part other than as a result of "reckless acts".

5. TRUSTEES' REMUNERATION AND EXPENSES

The Trustees neither received nor waived any emoluments during the year (2004: £nil). During the year, £1,999 (2004: £nil) was reimbursed to one Trustee for travel expenses (2004: nil Trustees).

WORLD ENERGY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

6. STAFF COSTS		2005	<i>2004</i>
		£'000	<i>£'000</i>
Wages and salaries		616	<i>641</i>
Social security costs		45	<i>44</i>
Other staff costs		4	<i>-</i>
		665	<i>685</i>

During the year, one (2004: one) employee received emoluments between £90,000 - £100,000, and three (2004: three) employees received emoluments between £50,000 - £60,000. Also included within salaries and wages are total costs of between £190,000 - £200,000 relating to one (2004: one) employee. Of this total, payments of between £150,000 - £160,000 were made to a third party company.

No employer pension contribution was made on the above employees' behalf.

The average number of employees during the year, calculated on a full-time equivalent basis, was 10 (2004:10).

7. TANGIBLE FIXED ASSETS

All tangible fixed assets are held by the Charity.

	Leasehold improvements £'000	Office equipment £'000	GEIS Website £'000	Total £'000
Cost				
At 1 January 2005	121	76	193	390
Additions	25	5	-	30
At 31 December 2005	146	81	193	420
Accumulated depreciation				
At 1 January 2005	63	65	193	321
Charge for period	13	5	-	18
At 31 December 2005	76	70	193	339
Net Book Values				
At 31 December 2005	70	11	-	81
<i>At 31 December 2004</i>	<i>58</i>	<i>11</i>	<i>-</i>	<i>69</i>

WORLD ENERGY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

8. FIXED ASSET INVESTMENTS

All investments are held by the Charity and are held in UK investments.

Market values	2005	<i>2004</i>
	£'000	<i>£'000</i>
Market value at 1 January 2005	793	648
Additions	-	100
Unrealised gain on investments	110	45
	<u>903</u>	<u>793</u>
Market value at 31 December 2005	903	<i>793</i>
Historical cost at 31 December 2005	<u>700</u>	<u>700</u>

UK listed investments are held in unit funds. These are represented by:

	2005	<i>2004</i>
	£'000	<i>£'000</i>
Fixed interest securities	191	186
Equity shares	712	607
	<u>903</u>	<u>793</u>

The following investments make up over 5% of the portfolio:

Fixed income	Market value	
	2005	<i>2004</i>
	£000	<i>£000</i>
Units held		
3,595 Dresdner RCM Chariguard	<u>43</u>	<u>42</u>
Equity		
Units held		
9,653 COIF	101	87
136,597 CAF balanced growth	208	177
53,224 Schroders	128	109
7,873 Dresdner RCM Chariguard	146	122
30,787 Mercury Charishare	<u>129</u>	<u>112</u>

WORLD ENERGY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

9. DEBTORS

	Group 2005 £'000	Charity 2005 £'000	<i>Group 2004 £'000</i>	<i>Charity 2004 £'000</i>
Trade debtors	310	310	141	141
Amount due from subsidiary company	-	52	-	431
Other debtors	13	11	27	27
Prepayments	36	36	31	31
Accrued income	29	-	79	67
	<u>388</u>	<u>409</u>	<u>278</u>	<u>697</u>

10. CREDITORS: amounts falling due within one year

Trade creditors	155	147	165	152
Taxation and social security costs	18	17	14	14
Accruals	48	46	58	50
Deferred income	41	41	40	40
	<u>262</u>	<u>251</u>	<u>277</u>	<u>256</u>

Deferred income reconciliation:	2005 £'000	<i>2004 £'000</i>
Balance brought forward	40	25
Received in year	41	40
Utilised in year	<u>(40)</u>	<u>(25)</u>
Balance carried forward	<u>41</u>	<u>40</u>

11. FINANCIAL COMMITMENTS

Commitments under leases to pay rentals during the year following the year of these financial statements are given in the table below, analysed to the period in which each lease expires. All commitments relate to the Charity.

Obligations under operating leases comprise:

	Group 2005 £'000	<i>Group 2004 £'000</i>
Land and buildings: Expiring after 5 years	<u>89</u>	<u>89</u>
Fixtures and fittings Expiring between 2 and 5 years	15	-
Expiring after 5 years	<u>-</u>	<u>15</u>

WORLD ENERGY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

12. STATEMENT OF FUNDS

	<i>1 January 2005</i>	Income	Expenditure	Investment gains	Transfers	31 December 2005
	£'000	£'000	£'000	£'000	£'000	£'000
General reserve	507	1,288	(1,584)	-	133	344
Designated – Foundation	950	560	(1)	110	(133)	1,486
Africa project (restricted)	4	-	(1)	-	-	3
CESE Manila (restricted)	(2)	104	(70)	-	-	32
Total	<u>1,459</u>	<u>1,952</u>	<u>(1,656)</u>	<u>110</u>	<u>-</u>	<u>1,865</u>

The designated fund represents funds set aside at the Trustees' discretion to assist in the further development of the WEC work programme.

The Africa fund is used to support the African Integration Study.

The CESE Manila fund is used to fund the Centre for Excellence in Sustainable Energy (CESE) project in the Philippines.

13. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	General £'000	Foundation £'000	Africa Project £'000	CESE Manila £'000	Total £'000
Tangible fixed assets	81	-	-	-	81
Investments	-	903	-	-	903
Net current assets	263	583	3	32	881
	<u>344</u>	<u>1,486</u>	<u>3</u>	<u>32</u>	<u>1,865</u>

WORLD ENERGY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

14. SUBSIDIARY COMPANY

The Charity owns the whole of the issued ordinary share capital of WEC Services Ltd, a company registered in England. WSL's share capital is £100 divided into 100 shares of £1 each. The subsidiary is used for non-primary purpose trading activities, namely publication sales, Internet revenues, congresses and generating royalties from joint projects. In addition, corporate sponsorships and non-tax exempt events are also carried out by the subsidiary. All activities have been consolidated on a line by line basis in the Statement of Financial Activities. The total net profit is gifted to the Charity. A summary of the results of the subsidiary is shown below.

	Total 2005 £'000	<i>Total 2004 £'000</i>
Turnover	72	468
Administrative expenditure	<u>(72)</u>	<u>(132)</u>
Net profit	-	336
Interest Receivable	5	-
Foreign exchange gain	34	-
Payment under Deed of covenant	<u>(39)</u>	<u>(336)</u>
Retained profit for the year	<u>-</u>	<u>-</u>
The aggregate of the assets, liabilities and funds was:	2005 £'000	<i>2004 £'000</i>
Assets	63	453
Liabilities	<u>(63)</u>	<u>(453)</u>
Funds	<u>-</u>	<u>-</u>

15. RELATED PARTY TRANSACTIONS

The group has taken advantage of the exemption which is conferred by Financial Reporting Standard No.8, 'Related Party Disclosures' that allows it not to disclose transactions with group undertakings that are eliminated on consolidation.