

**Gaz de France ESS (UK) Limited
(formerly Volunteer Energy Group Limited)**

Report and Financial Statements

31 December 2002



Gaz de France ESS (UK) Limited
(formerly Volunteer Energy Group Limited)

Registered No. 2706333

Directors

Mr J C Depail (Chairman)
Mr J C Marouby
Mr P Persuy
Mr E Stab
Ms M D Bucher
Mr J Laurelut
Mr L Renat

Secretary

Mr D Park

Auditors

Ernst & Young LLP
Becket House
1 Lambeth Palace Road
London SE1 7EU

Bankers

Barclays Bank PLC
50 Pall Mall
London SW1A 1QF

Registered Office

5th Floor
Plaza One
Ironmasters Way
Telford
Shropshire TF3 4NT

Directors' report

The directors present their report and the financial statements of the company for the year ended 31 December 2002.

Results and dividends

The result for the year ended 31 December 2002 was a loss after taxation of £25,000 (2001 – £nil).

The directors do not recommend the payment of dividend.

Principal activities and review of the business

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

The company changed its name from Volunteer Energy Group Limited on 29 May 2002.

The directors are pleased with the result for the year and consider that the year end position is satisfactory.

Directors and their interests

The directors who served during the year ended 31 December 2002 were:

Mr J C Depail (Chairman)
Ms E R Stein
Mr J C Marouby
Mr P Persuy
Mr N Abensour
Mr E Stab

Ms E R Stein resigned as a director on 31 May 2003.

Mr N Abensour resigned as a director on 13 June 2003.

Ms M D Bucher, Mr J Laurelut and Mr L Renat were appointed as directors on 13 June 2003.

There are no interests requiring disclosure under the Companies Act 1985.

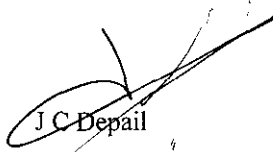
Company secretary

Mr G J Hermiston resigned as secretary on 26 April 2002. Mr G R Hill was appointed secretary on 26 April 2002 and resigned as secretary on 11 September 2002. Mr D Park was appointed secretary on 11 September 2002.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



Director

✓ 13th June 2003

Statement of directors' responsibilities in respect of the financial statements

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; and
- 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.

Independent auditors' report

to the members of Gaz de France ESS (UK) Limited (formerly Volunteer Energy Group Limited)

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 15. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 company's members those matters we are required to state to them in an auditors' 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 opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

Independent auditors' report

to the members of Gaz de France ESS (UK) Limited (formerly Volunteer Energy Group Limited) (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

13 June 2003

Profit and loss account

for the year ended 31 December 2002

	<i>Notes</i>	<i>2002</i> £	<i>2001</i> £
Administrative expenses		(25,000)	—
Operating loss	2	(25,000)	—
Interest receivable	3	10,000	—
Interest payable and similar charges	4	(10,000)	—
Loss on ordinary activities before taxation		(25,000)	—
Tax on loss on ordinary activities	5	—	—
Loss for the financial year		(25,000)	—

All activities derive from continuing operations.

Statement of total recognised gains and losses
for the year ended 31 December 2002

There are no recognised gains or losses attributable to the shareholders of the company other than the loss for the year ended 31 December 2002 of £25,000 (2001 – £nil).

Balance sheet

at 31 December 2002

	Notes	2002 £	2001 £
Fixed assets			
Investments	7	3,565,638	3
Current assets			
Debtors	8	11,622,735	4,891,674
Creditors: amounts falling due within one year	9	(2,010,003)	(3)
Net current assets		9,612,732	4,891,671
Total assets less current liabilities		13,178,370	4,891,674
Creditors: amounts falling due after more than one year	10	(8,311,696)	–
Net assets		4,866,674	4,891,674
Represented by:			
Called up share capital	11	5,483,591	5,483,591
Profit and loss account	12	(616,917)	(591,917)
Equity shareholders' funds	13	4,866,674	4,891,674

J C Depail

Director

13th June 2003

Notes to the financial statements

at 31 December 2002

1. Accounting policies

The financial statements have been prepared under the historic cost convention and in accordance with the applicable UK accounting standards. The particular accounting policies adopted are described below:

Basis of preparation

In preparing the financial statements for the current year, the company has adopted FRS 19 "Deferred Tax". Deferred tax is recognised on a full provision basis in accordance with the accounting policy described below. Previously, deferred tax was provided for on a partial provision basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in the future without replacement.

The accounts present information about the company as an individual undertaking and not about its group. The company has taken advantage of the exemption from the obligation to prepare group accounts under Section 228(1) of the Companies Act 1985. The results of its subsidiaries are dealt with in the consolidated accounts of the ultimate parent undertaking, Gaz de France, a company registered in France. The address from which the copies of the group accounts of the ultimate parent undertaking can be obtained is included in Note 15.

Statement of cash flows

The company has taken advantage of the exemption contained in FRS 1 ("Revised") as a subsidiary undertaking where 90% or more of the voting rights are controlled within the group and therefore does not present a statement of cash flows in these financial statements.

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:

<i>Leasehold improvements</i>	– over the period of the lease
Motor vehicles	– 25% to 33%
Fixtures, fittings and office equipment	– 25% to 33%

Investments

Fixed asset investments in subsidiaries are included in the financial statements at cost, less provisions for impairment. The carrying values of fixed assets are reviewed for impairment in the periods when the events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is provided for in the current period profit and loss account when the carrying value of the assets exceeds their estimated recoverable amount. The estimated recoverable amount is defined as the higher of the net realisable value and the value in use. The value in use is determined by reference to *estimated future discounted cash flows*.

Stock

Stock, which comprises natural gas to be delivered by suppliers, has been stated at the lower of cost and net realisable value.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements

at 31 December 2002

1. Accounting policies (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leases

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

Assets acquired under hire purchase agreements and finance leases are capitalised in the balance sheet and are depreciated in accordance with the company's normal policy. The outstanding liabilities under such agreements, less any interest not yet due, are included in creditors. Interest on such agreements is charged in the profit and loss account over the term of each agreement.

Pension costs

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

2. Operating loss

This is stated after charging:

	2002 £	2001 £
Impairment of investments	25,000	~
	<u> </u>	<u> </u>

3. Interest receivable

	2002 £	2001 £
Other interest	10,000	-
	<u> </u>	<u> </u>

4. Interest payable and similar charges

	2002 £	2001 £
Other loans repayable within five years	10,000	-
	<u> </u>	<u> </u>

Notes to the financial statements

at 31 December 2002

5. Tax on loss on ordinary activities

(a) Analysis of charge in period

The UK corporation tax charge in the year is £nil (2001 – £nil).

(b) Factors affecting tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2002 £	2001 £
Loss on ordinary activities before tax	(25,000)	–
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK (30%)	(7,500)	–
<i>Effect of:</i>		
Expenses not deductible for tax purposes	7,500	–
Current tax charge for the period	–	–

6. Directors and employees

The company had no employees during the years ended 31 December 2002 and 31 December 2001. Staff costs for the year were borne by Gaz de France Services Limited. The directors received no emoluments in respect of their services to this company (2001 – £nil).

7. Investments

Shares in subsidiary undertakings

	2002 £	2001 £
Cost	3,590,638	3
Less amounts written off	(25,000)	–
	3,565,638	3

Notes to the financial statements

at 31 December 2002

7. Investments (continued)

The company's subsidiary undertakings at 31 December 2002 are listed below:

<i>Held directly</i>	<i>Country of incorporation</i>	<i>Class of shares held</i>	<i>Proportion held by the company</i>
Gaz de France Solutions Limited ⁽¹⁾	England and Wales	Ordinary	100%
Gaz de France Sales Limited ⁽¹⁾	England and Wales	Ordinary	100%
Gaz de France Marketing Limited (formerly RWE Trading Direct Limited) ⁽¹⁾	England and Wales	Ordinary	100%
Gaz de France Services Limited ⁽²⁾	England and Wales	Ordinary	100%

⁽¹⁾ The principal activities of the subsidiaries are the purchase, supply and management of natural gas and electricity to industrial and commercial customers.

⁽²⁾ The principal activity of the subsidiary is the provision of services to fellow group undertakings.

8. Debtors

	<i>2002 £</i>	<i>2001 £</i>
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	11,573,225	4,891,674
Other debtors	49,510	—
	<u>11,622,735</u>	<u>4,891,674</u>

9. Creditors: amounts falling due within one year

	<i>2002 £</i>	<i>2001 £</i>
Amounts owed to group undertakings	2,010,003	3
	<u>2,010,003</u>	<u>3</u>

There are no current or deferred tax balances at 31 December 2002 (2001 – £nil).

Notes to the financial statements

at 31 December 2002

10. Creditors: amounts falling due after more than one year

	2002	2001
	£	£
Amounts owed to parent undertaking	8,311,696	—

11. Share capital

	2002	2001
	£	£
<i>Authorised</i>		
5,500,000 ordinary shares of £1 each	5,500,000	5,500,000
<i>Called up, allotted and fully paid</i>		
5,483,591 ordinary shares of £1 each	5,483,591	5,483,591

12. Profit and loss account

	£
At 1 January 2002	(591,917)
Retained loss for the year	(25,000)
At 31 December 2002	(616,917)

13. Reconciliation of movements in shareholders' funds

	2002	2001
	£	£
Loss for the financial year	(25,000)	—
Shares issued	—	4,000,000
Net (decrease)/increase in shareholders' funds	(25,000)	4,000,000
Opening shareholders' funds	4,891,674	891,674
Closing shareholders' funds	4,866,674	4,891,674

Notes to the financial statements

at 31 December 2002

14. Related party transactions

The company has taken advantage of the exemption within FRS 8 and has not disclosed transactions with group undertakings. There were no other related party transactions in the year.

15. Ultimate parent undertaking

The company's immediate parent undertaking is G.D.F. International S.A., a company registered in France.

The ultimate parent undertaking of the group of undertakings for which group financial statements are drawn up, and of which the company is a member, is Gaz de France, a company registered in France. Copies of Gaz de France's group financial statements can be obtained from Gaz de France, 23 rue Philibert Delorme, 75840, Paris, Cedex 17, France.