

**Registered Number: 2706333**

# **GDF SUEZ Energy UK Limited**

## **Report and Group Financial Statements**

**31 December 2009**

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COMPANIES HOUSE

Registered No 2706333

**Directors**

Mr S Brimont  
Mr J C Depail  
Mr A Janssens  
Mr L de Salivet de Fouhecour  
Mr M J Hirt

**Secretary**

Mr D Park

**Auditors**

Ernst & Young LLP  
1 Bridgewater Place  
Water Lane  
Leeds  
LS11 5QR

**Bankers**

Barclays Bank PLC  
50 Pall Mall  
London  
SW1A 1QF

**Registered Office**

1 City Walk  
Leeds  
West Yorkshire  
LS11 9DX

## Directors' report

The directors present their report and the group and company financial statements for the year ended 31 December 2009

### Results and dividends

The results for the year ended 31 December 2009 are shown in the Income Statement on page 8 The profit for the year after taxation was £32,755,000 (2008 £17,833,000)

The directors recommend the payment of a dividend of £18,645,000 (2008 £nil)

### Principal activities, review of the business and future developments

The principal activities of the group are the purchase, supply and management of natural gas and electricity to industrial and commercial customers in addition to the generation of electricity

The group's key financial and other performance indicators during the year were as follows

	2009	2008	Change %
Revenue (£'000)	1,223,772	1,407,183	(13)
Gross profit (£ 000)	68,139	46,597	46
Profit before tax (£'000)	44,918	23,590	90
Electricity Volume sold (GWh)	10,294	9,280	11
Gas Volume sold (GWh)	25,662	34,721	(26)

The result for the year reflects the group's continued investment in the business Electricity revenue has increased by 12% in 2009 compared to 2008 The increase in revenue is a consequence of a 11% increase in the volume sold in GWh and a small increase in wholesale electricity market prices in 2009 Gas revenue has decreased by 34% in 2009 compared to 2008 The decrease in gas revenue is a consequence of lower wholesale gas market prices in 2009 and a 26% reduction in the volume of gas delivered The reduction in volumes is a reflection of a rationalisation of the delivering gas portfolio

The group's gross profit increased by 46% to £68,139,000 (2008 £46,597,000) In comparison to 2008, the profit generated in 2009 has been positively affected by the movement in the respective forward electricity price curves for each year and in respect of gas, improved contract performance and control of delivered costs

The delivering portfolios of both gas and electricity customers remain strong and provide a firm foundation for the forthcoming year The group's net assets stood at £77,480,000 (2008 £52,588,000) Net current assets were £46,853,000 (2008 £22,025,000) including cash and short term deposits of £9,680,000 (2008 £2,803,000) Based on the results achieved this year and the continued support of the parent company, the directors are confident that the future prospects of the group remain good

### Principal risks and uncertainties facing the company

The key risks are energy prices, credit risk, economic conditions, competitor actions, legislation, business continuity and internal controls failure The group maintains a strong balance sheet backed by the support of its parent company

Exposure to energy price risk is minimised by restricting quotation validity to limited underlying market price movements and by fixing together forward electricity and gas sales and the respective associated forward electricity and gas purchases at the point of contract acceptance Gas and electricity forward contracts are used to fix the price of future physical flows and thus provide greater certainty on future revenues and costs

The group's credit risk is attributable to its trade receivables and accrued income The risk is controlled by review of customer creditworthiness at a local and parent company level and mitigated through the use of credit insurance, letters of credit and customer deposits

## Directors' report

Exposure to economic conditions is mitigated by pursuing a diversified customer portfolio to reduce reliance being focused toward a small number of large customers or a number of customers within specific industry sectors

The impact of competitor actions is monitored on an ongoing basis to ensure the products and services offered by the group continue to maintain our competitive position in the market

The Regulatory Affairs team monitor and provide active participation in consultation on legislation changes within the industry and the company ensures compliance with all relevant legislation. Health and Safety guidance is provided to employees through information on the intranet and the Company Employee Handbook. A Health and Safety committee comprising departmental representatives meets regularly and provides feedback to the Management Team on outstanding issues. Using the input of and consultation with other GDF SUEZ Energy UK companies the group ensures compliance with Health and Safety legislation and good practice.

The group has a business continuity plan ready to be implemented in response to a critical business event.

An Internal Control Review Project combined with a Continuous Improvement Programme was in place throughout the year. The combination of these two initiatives is the documentation of policies, procedures and key processes throughout the business with the objective of achieving a greater level of control, process consistency, efficiency and improvement.

The group's treasury policies seek to reduce and minimise financial risk and ensure sufficient liquidity for foreseeable needs. Virtually all transactions are in £ sterling, however where appropriate the group hedges foreign exchange transactions to minimise exposure to foreign exchange movements.

There is a comprehensive budgeting system in place with an annual budget approved locally by the executive management team and also centrally by the GDF SUEZ group. Management information systems provide the executive management team and directors with relevant and timely reports that identify significant deviations from approved plans and include regular re-forecasts for the year, in order to facilitate timely analysis and appropriate decisions and actions.

There is a GDF SUEZ group instruction manual setting out policies and procedures with which the UK companies are required to comply. The executive management team are responsible for ensuring that the UK companies observe and implement the policies and procedures set out in the manual which is regularly reviewed and updated.

### Directors

The directors who served during the year ended 31 December 2009 were

Mr J C Depail	
Mr L de Salvat de Fouchecour	
Mr M J Hirt	
Mr P F G Clavel	resigned 26 March 2010
Mdme F A Dufresnoy	resigned 26 March 2010
Mr Y C M J Jourdain	resigned 26 March 2010
Mr C J M Hertoghe	resigned 26 March 2010
Mr P Maes	resigned 26 March 2010

and the following directors have been appointed since the year end

Mr S Brimont	appointed 26 March 2010
Mr A Janssens	appointed 26 March 2010

## Directors' report

### Charitable donations

The company made donations to charity during the year totalling £3,000 (2008 £4,000)

### Supplier payment policy

The group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and then abide by the terms of payment

### Employees

The group places considerable value on the involvement of its employees and has continued its previous practice of ensuring effective two-way communication on matters affecting them as employees, and on various factors affecting the performance of the group. This is achieved through both formal and informal meetings, together with a regular newsletter and information on the group intranet. The Employee Works Council met regularly during the year.

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### Environmental policy

The group is committed to reducing its impact on the environment. As part of this commitment the group actively promotes and encourages energy efficiency and recycling wherever possible.

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors is to be proposed.

### Directors' statement as to disclosure of information to the auditors

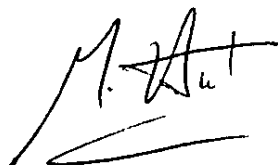
As at the date of this report, as far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken such steps as he should have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board

M Hirt

Director

26 March 2010



## **Statement of directors' responsibilities in respect of the financial statements**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable UK law and those International Financial Reporting Standards as adopted by the European Union

Under company law the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial position of the company and of the group and the financial performance and cash flows of the company and of the group for that period. In preparing those financial statements, the Directors are required to

- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Change in Accounting Estimates and Errors' and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in International Financial Reporting Standards (IFRSs) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company and the group's financial position and financial performance
- state that the company and the group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements, and
- make judgements and accounting estimates that are reasonable and prudent

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the company and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and of the group, enabling them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditors' report**

## **to the members of GDF SUEZ Energy UK Limited**

We have audited the financial statements of GDF SUEZ Energy UK Limited for the year ended 31 December 2009 which comprise the Group Income Statement, the Group and Parent Company Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statement of Changes in Equity the Group and Parent Company Cash Flow Statement and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 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 opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement, set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

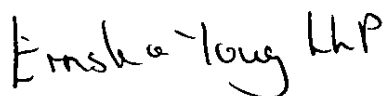
# **Independent auditors' report**

**to the members of GDF SUEZ Energy UK Limited**

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Elizabeth Barber (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Leeds

29 March 2010



## Group income statement

for the year ended 31 December 2009

		2009	2008
	Note	£'000	£'000
<b>Revenue</b>	2	1,223,772	1,407,183
Cost of Sales		(1,155,633)	(1,360,586)
Gross Profit		68,139	46,597
Administrative Expenses		(24,118)	(25,792)
<b>Operating Profit</b>	3	44,021	20,805
Finance income	6	1,021	3,147
Finance cost	7	(124)	(362)
<b>Profit before Taxation</b>		44,918	23,590
Tax charge	8	(12,163)	(5,757)
<b>Profit for the year attributable to equity holders of the parent company</b>		32,755	17,833

All amounts relate to continuing activities

## Group statement of comprehensive income

for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Profit for the financial year attributable to equity holders of the parent company		32,755	17,833
<b>Other comprehensive income / expense</b>			
Valuation gain / (loss) on cash flow hedge – foreign exchange contracts, net of tax	22	729	(725)
Valuation loss on cash flow hedge – gas swap arrangements, net of tax	22	(8,700)	-
Actuarial (loss) / gain recognised on defined benefit pension scheme, net of tax	5	(80)	44
Other comprehensive expense, net of tax		(8,051)	(681)
Total comprehensive income for the year, net of tax, attributable to equity holders of the parent		24,704	17,152

## Company statement of comprehensive income

for the year ended 31 December 2009

There was no other comprehensive income attributable to the shareholders of the company other than the profit for the year ended 31 December 2009 of £445,000 (2008 £1,644,000)

**Group and company balance sheets**

at 31 December 2009

	Note	Group		Company	
		2009 £'000	2008 £'000	2009 £'000	2008 £'000
<b>Non-current assets</b>					
Property, plant and equipment	10	26,232	26,096	-	-
Intangible assets	12	6,430	6,793	-	-
Investments in subsidiaries	11	-	-	3,566	3,566
Financial assets	22	59,850	66,507	42,745	42,745
Deferred tax asset	8	2,884	640	-	-
<b>Total non-current assets</b>		<b>95,396</b>	<b>100,036</b>	<b>46,311</b>	<b>46,311</b>
<b>Current assets</b>					
Inventories	14	7,894	8,254	-	-
Trade and other receivables	15	168,442	203,768	17,540	11,428
Financial assets	22	282,260	139,012	110,760	28,200
Derivative financial asset	22	7	12	-	-
Cash and short term deposits	17	9,680	2,803	-	-
<b>Total current assets</b>		<b>468,283</b>	<b>353,849</b>	<b>128,300</b>	<b>39,628</b>
<b>Current liabilities</b>					
Trade and other payables	18	230,871	214,485	110,799	22,264
Current tax liability	16	7,281	4,558	86	394
Financial liabilities	19	181,774	110,859	-	-
Provisions	20	1,498	1,922	-	-
<b>Total current liabilities</b>		<b>421,424</b>	<b>331,824</b>	<b>110,885</b>	<b>22,658</b>
<b>NET CURRENT ASSETS</b>		<b>46,859</b>	<b>22,025</b>	<b>17,415</b>	<b>16,970</b>
<b>Non-current liabilities</b>					
Financial liabilities	19	61,694	66,507	-	-
Derivative financial liability	22	-	1,018	-	-
Provisions	20	2,929	1,846	-	-
Defined benefit pension scheme liability	5	152	102	-	-
<b>Total non-current liabilities</b>		<b>64,775</b>	<b>69,473</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>		<b>77,480</b>	<b>52,588</b>	<b>63,726</b>	<b>63,281</b>
<b>Capital and reserves</b>					
Equity share capital	24	51,901	51,901	51,901	51,901
Retained earnings		34,275	1,412	11,825	11,380
Hedging loss	25	(8,696)	(725)	-	-
<b>TOTAL EQUITY</b>		<b>77,480</b>	<b>52,588</b>	<b>63,726</b>	<b>63,281</b>

M Hirt

Director

26 March 2010

**Group statement of changes in equity**

at 31 December 2009

	Equity Share Capital	Retained (losses)/ earnings	Hedging loss	Total Equity
	£'000	£'000	£'000	£'000
At 1 January 2008	51,901	(16,619)	-	35,282
Profit for the year	-	17,833	-	17,833
Actuarial gain on defined benefit pension scheme	-	44	-	44
Share based payment	-	154	-	154
Valuation loss on cash flow hedge, net of tax	-	-	(725)	(725)
As at 31 December 2008	51,901	1,412	(725)	52,588
Profit for the year	-	32,755	-	32,755
Actuarial loss on defined benefit pension scheme	-	(80)	-	(80)
Share based payment	-	188	-	188
Valuation gain on cash flow hedge – foreign exchange contracts, net of tax	-	-	729	729
Valuation loss on cash flow hedge – gas swap arrangements, net of tax	-	-	(8,700)	(8,700)
As at 31 December 2009	51,901	34,275	(8,696)	77,480

**Company statement of changes in equity**

at 31 December 2009

	Equity Share Capital	Retained Earnings	Total Equity
	£'000	£'000	£'000
At 1 January 2008	51,901	9,736	61,637
Profit for the year	-	1,644	1,644
At 31 December 2008	51,901	11,380	63,281
Profit for the year	-	445	445
At 31 December 2009	51,901	11,825	63,726

## Cash flow statements

for the year ended 31 December 2009

		Group		Company	
	Note	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<b>Operating activities</b>					
Profit before taxation		44,918	23,590	618	2,152
<i>Adjustments to reconcile profit before taxation to net cash flows from operating activities</i>					
Depreciation of property, plant and equipment		2,578	4,260	-	-
Amortisation of intangible fixed assets		466	343	-	-
Loss on sale of fixed assets		396	-	-	-
Write off of intangible fixed asset		815	-	-	-
Difference between pension contribution paid and amounts recognised in the income statement		(44)	70	-	-
Share-based payments		188	154	-	-
Finance income		(1,021)	(3,147)	(925)	(4,504)
Finance cost		124	362	307	2,352
Decrease / (increase) in inventories		360	(4,199)	-	-
Decrease / (increase) in trade and other receivables		36,347	(25,786)	(5,187)	15,402
(Increase) in financial assets		(136,591)	(140,036)	(82,560)	(16,100)
Increase in trade and other payables		16,281	40,232	88,226	16,515
Increase in financial liabilities		54,031	123,936	-	-
Increase / (decrease) in provisions		471	(6,180)	-	-
<b>Cash generated from operations</b>		<b>19,319</b>	<b>13,599</b>	<b>479</b>	<b>15,817</b>
Tax paid		(8,572)	(3,925)	(479)	(1,017)
<b>Net cash flows from operating activities</b>		<b>10,747</b>	<b>9,674</b>	<b>-</b>	<b>14,800</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment and intangible assets		(3,859)	(2,309)	-	-
<b>Net cash flows used in investing activities</b>		<b>(3,859)</b>	<b>(2,309)</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>					
Repayment of borrowings		-	(14,800)	-	(14,800)
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>(14,800)</b>	<b>-</b>	<b>(14,800)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>6,888</b>	<b>(7,435)</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at 1 January</b>		<b>2,756</b>	<b>10,191</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at 31 December</b>	<b>17</b>	<b>9,644</b>	<b>2,756</b>	<b>-</b>	<b>-</b>

## Notes to the financial statements

at 31 December 2009

### 1. Authorisation of financial statements and statement of compliance with IFRSs

The group and company financial statements of GDF SUEZ Energy UK Limited (the 'Company') for the year ended 31 December 2009 were authorised for issue by the board of the directors on 26 March 2010 and the balance sheets were signed on the board's behalf by M Hirt. GDF SUEZ Energy UK Limited is a private limited company incorporated and domiciled in England & Wales.

The group's and company's financial statements have been prepared on a historical cost basis except for certain wholesale purchase commitments, derivatives financial assets and liabilities that have been measured at fair value. The group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The company's financial statements have been prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the group and by the company are set out in note 2.

The company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes.

### 2. Accounting Policies

#### Basis of Preparation

The accounting policies, which follow set out those policies, which apply in preparing the financial statements for the year ended 31 December 2009.

The group and company financial statements are presented in thousand Sterling (£'000).

#### Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except of the adoption of new and amended IFRS and IFRIC interpretations, which are applicable to the group, as noted below.

#### *IFRS 2 Share-based Payment (Revised)*

The IASB issued an amendment to IFRS 2 which clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. The group adopted this amendment as of 1 January 2009. It did not have an impact on the financial position or performance of the group.

#### *IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)*

The group adopted the revised standard from 1 January 2009. IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and had no impact to the group.

## Notes to the financial statements

at 31 December 2009

### 2. Accounting Policies (continued)

#### *IFRS 7 Financial Instruments - Disclosures*

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 22. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 21.

#### *IAS 1 Presentation of Financial Statements*

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The group has elected to present two statements.

#### *IAS 23 Borrowing Costs*

The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The group's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended IAS 23, the group has adopted the standard on a prospective basis. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 January 2009. It did not have an impact on the financial position or performance of the group.

#### *IAS 32 Financial Instruments - Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation*

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or the performance of the group.

#### *IAS 39 Financial Instruments - Recognition and Measurement – Eligible Hedged Items*

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The group has concluded that the amendment will have no impact on the financial position or performance of the group, as the group has not entered into any such hedges.

#### *IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement*

This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.

#### *Improvements to IFRSs*

In May 2008 and April 2009 the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

## Notes to the financial statements

at 31 December 2009

### 2. Accounting Policies (continued)

#### *Improvements to IFRSs (continued)*

The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the group

- IAS 1 Presentation of Financial Statements Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments Recognition and Measurement are not automatically classified as current in the statement of financial position The group analysed whether the expected period of realisation of financial assets and liabilities differed from the classification of the instrument This did not result in any reclassification of financial instruments between current and non-current in the statement of financial position
- IAS 16 Property, Plant and Equipment Replaces the term “net selling price” with “fair value less costs to sell” The group amended its accounting policy accordingly, which did not result in any change in the financial position
- IAS 23 Borrowing Costs The definition of borrowing costs is revised to consolidate the two types of items that are considered components of ‘borrowing costs’ into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39 The group has amended its accounting policy accordingly which did not result in any change in its financial position
- IAS 38 Intangible Assets Expenditure on advertising and promotional activities is recognised as an expense when the group either has the right to access the goods or has received the service This amendment has no impact on the group because it does not enter into such promotional activities

The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed The Group reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group

- IFRS 2 Share-based Payment
- IFRS 7 Financial Instruments Disclosures
- IAS 8 Accounting Policies, Change in Accounting Estimates and Error
- IAS 10 Events after the Reporting Period
- IAS 19 Employee Benefits
- IAS 27 Consolidated and Separate Financial Statements
- IAS 28 Investments in Associates
- IAS 31 Interest in Joint Ventures
- IAS 34 Interim Financial Reporting
- IAS 40 Investment Properties



## Notes to the financial statements

at 31 December 2009

### 2. Accounting Policies (continued)

#### *Improvements to IFRSs (continued)*

- IAS 39 Financial Instruments Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation

#### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2009

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

#### **Significant accounting judgements and estimates**

The preparation of the group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the group's and company's accounting policies, management has made the following judgements and estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### *Recoverable amount of property, plant and equipment*

The recoverable amount of property, plant and equipment is based on estimates and assumptions regarding in particular the expected market outlook and future cash flows associated with the assets. Any changes in these assumptions may have a material impact on the measurement of the recoverable amount and could result in impairment adjustments.

#### *Decommissioning Provision*

Parameters having a significant influence on the amount of dismantling provision, include the timing of expenditure and the discount rate applied to cash flows, as well as the actual level of the expenditure. These parameters are based on information and estimates deemed to be appropriate by the group at the current time. To the group's best knowledge, there is no information suggesting that the parameters used taken as a whole are not appropriate. Further, the group is not aware of any developments that are likely to have a material impact on the provision made.

#### *Onerous contract provision*

Provision is made for the net present cost, using a risk-free discount rate, of expected losses on onerous long-term sales contracts. The provision is based on the difference between the contracted sales prices and the expected weighted average purchase cost of electricity.

## Notes to the financial statements

at 31 December 2009

### 2. Accounting Policies (continued)

#### Significant accounting judgements and estimates (continued)

##### *Defined benefit pension liability*

Defined benefit pension liability is measured on the basis of actuarial assumptions. The group considers that the assumptions used to measure its obligations are appropriate and documented. However, any changes in these assumptions may have a material impact on the resulting calculations.

##### *Impairment of goodwill*

The group determines whether goodwill is impaired on at least an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

##### *Fair value of financial instruments*

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

##### *Taxation*

The company and subsidiary undertakings are subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned. Tax computations for all periods ending on or before 31 December 2007 have been agreed with the relevant tax authorities.

#### Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the dismantling of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Note 20 for further information about the measurement of the dismantling provision.

## Notes to the financial statements

at 31 December 2009

### 2. Accounting policies (continued)

#### Property, plant and equipment (continued)

Depreciation is provided on property, plant and equipment in equal annual instalments over their estimated useful lives. The rates of depreciation are as follows:

Leasehold property and improvements	-	over the shorter of the period of the lease and the estimated remaining life of the Power Plant (21 years)
Plant & machinery	-	over the shorter of the individual asset life and the estimated remaining life of the Power Plant (3 – 21 years)
Fixtures, fittings and office equipment	-	3 years
IT equipment	-	3 years to 5 years
Motor vehicles	-	5 years
Dismantling liability	-	over the shorter of the period of the lease and the estimated remaining life of the Power Plant (21 years)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

#### Business combinations and goodwill

##### *Business combinations from 1 January 2009*

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the group's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

## Notes to the financial statements

at 31 December 2009

### 2. Accounting policies (continued)

#### Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

#### *Business combinations prior to 31 December 2008*

In comparison to the above mentioned requirements, the following difference applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs.

#### Other intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Development expenditure on an individual project is recognised as an intangible asset when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Intangible assets with a finite life are amortised on a straight line basis over their expected useful lives, as follows:

Application software	- 3 years
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The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. In addition, the carrying value of capitalised development expenditure is reviewed for impairment annually and before being brought into use.

#### Impairment of assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

## Notes to the financial statements

at 31 December 2009

### 2. Accounting policies (continued)

#### Impairment of assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a re-valued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific asset

#### *Goodwill*

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

#### Investments

Fixed asset investments in subsidiaries are included in the financial statements at cost, less provision for impairment. The carrying values of fixed assets are reviewed for impairment in the periods when events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is provided for in the current period income statement 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.

#### Financial Assets

Financial assets in the scope of IAS 39 are classified as financial assets at fair value through profit or loss or loans and receivables, as appropriate. The group and the company determine the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value.

All regular way purchases and sales of financial assets are recognised on the trade date, being the date that the group or the company commits to purchase or sell the asset. Regular way transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place. The subsequent measurement of financial assets depends on their classification, as follows:

#### *Financial assets at fair value through profit or loss*

Derivatives are classified as assets at fair value through profit or loss unless they are designated as hedging instruments. Assets are carried in the balance sheet at fair value with gains or losses on financial assets at fair value through profit or loss recognised in the income statement.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available for sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant.

## Notes to the financial statements

at 31 December 2009

### 2. Accounting policies (continued)

#### Financial Assets (continued)

##### *Fair values*

The fair value of hedging instruments is determined by reference to market prices at the close of business on the balance sheet date

#### Impairment of financial assets

The group and the company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

##### *Assets carried at amortised cost*

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, through the use of an allowance account. The amount of the loss shall be recognised in administration expenses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

#### Trade and other receivables

Trade receivables, which generally have 14-30 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the group or the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

#### Inventories

Inventories have been stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Costs incurred in bringing inventories to their present location and condition are accounted for at the weighted average purchase cost.

## Notes to the financial statements

at 31 December 2009

### 2. Accounting policies (continued)

#### Inventories (continued)

##### *Greenhouse gas emission rights*

Under European Directive 2003/87/EC establishing a greenhouse gas (GHG) emissions allowance trading scheme within the European Union, the group was granted GHG emission rights free of charge. Under the Directive, the group have to surrender a number of allowances equal to the total emissions from the group during the previous calendar year. Therefore, the group may have to purchase emissions allowances on pollution rights markets in order to cover any shortfall in the allowances required for surrender.

As there are no specific rules under IFRS dealing with the accounting treatment of GHG emission allowances, the group decided to apply the following principles, consistent with its ultimate parent company:

- emission rights are classified as inventories, as they are consumed in the production process,
- emission rights granted free of charge are recorded in the balance sheet at a value of nil,
- emission rights purchased on the market are recognised at acquisition cost.

The group records a liability at year-end in the event that it does not have enough emission rights to cover its GHG emissions during the period. This liability is measured at the market value of the allowances required to meet its obligations at year end.

#### Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance costs.

#### De-recognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

## Notes to the financial statements

at 31 December 2009

### 2. Accounting policies (continued)

#### Derivative financial instruments and hedging

Certain companies within the group enter into wholesale purchase commitments to satisfy demand forecasts associated with its supply contracts. The movements in fair value of some of these commitments qualify as derivative financial instruments due to the terms and conditions attached to the related supply contracts. Such derivative financial instruments are initially recognised at fair value on the date on which such a wholesale purchase commitment is entered into and are subsequently re-measured at fair value at each reporting date. For each such event, the related supply contract acts as a natural hedge to the wholesale purchase commitment. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The group also uses derivative financial instruments (forward currency contracts) to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are recognised at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

In 2009, the group entered into a swap arrangement with another group undertaking in France, in which the group swapped its index-priced gas purchased from its suppliers with fixed priced gas. This is to hedge its risk associated with commodity price of gas for supplying those customers with fixed price contracts. The movement in fair value of these swap arrangements qualify as derivatives financial instruments due to the term and conditions attached. Such derivative financial instruments are initially recognised at fair value on the date on which such agreement is entered into and are subsequently re-measured at fair value at each reporting date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The group treats this arrangement as cash flow hedge.

For those derivatives designated as hedges and for which hedge accounting is used, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

For the purpose of hedge accounting, hedges are classified as,

- fair value hedges as they are hedging the exposure to changes in the fair value of a recognised asset or liability, or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

#### *Fair value hedges*

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is re-measured at fair value and gains and losses from both are taken to profit or loss. The group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the company revokes the designation.



## Notes to the financial statements

at 31 December 2009

### 2. Accounting policies (continued)

#### Derivative financial instruments and hedging (continued)

##### *Cash flow hedges*

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while the ineffective portion is recognised in the income statement. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If a forecast transaction is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs and are transferred to the income statement or to the initial carrying amount of a non-financial asset or liability as above. If the related transaction is not expected to occur, the amount is taken to the income statement.

#### Income Taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss,
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future, and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

#### Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

## Notes to the financial statements

at 31 December 2009

### 2. Accounting policies (continued)

#### Provisions

A provision is recognised when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the group expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

#### Revenue recognition

##### *Sale of goods*

Revenue represents amounts receivable for goods provided in the normal course of business excluding discounts, VAT and other sales related taxes. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on supply of energy to the customer.

##### *Services*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group, the revenue can be reliably measured and the risks and rewards of the supply has passed to the buyer.

##### *Finance Income*

Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

#### Operating leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged to income in equal annual amounts over the lease term.

#### Onerous contracts

Provision is made for the net present cost, using a risk-free discount rate, of expected losses on onerous contracts. The provision is based on the difference between the contracted sales prices and the expected weighted average cost of electricity.

#### Pension costs

The group operates two pension plans, a defined benefit pension plan and a defined contribution scheme.

The defined benefit pension plan requires contributions to be paid into a separately administered fund. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in the period in which they arise.

The defined benefit liability in the balance sheet comprises the present value of the defined benefit obligation less the past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The value of a net pension benefit asset is restricted to the sum of any past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

## Notes to the financial statements

at 31 December 2009

### 2. Accounting policies (continued)

#### Pension costs (continued)

The group has applied the option in IAS 19 to recognise actuarial gains and losses in full in the statement of recognised gain and losses in period in which they occur

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of the plans, such estimates are subject to significant uncertainty. The net employee liability at 31 December 2009 is (2008 £102,000). Further details are given in note 5.

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

#### Share-based payments

##### *Equity settled transactions*

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

#### Exceptional Items

The group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

## Notes to the financial statements

at 31 December 2009

### 2. Accounting policies (continued)

#### New standards and interpretations not applied

The IASB and IFRIC have issued the following standards and interpretations which are not effective at the balance sheet date or have an effective date after the date of these financial statements

International Accounting Standards (IAS / IFRSs)		Effective date*
IFRS 2	Amendment to IFRS 2 – Group Cash-Settled Share-Based Payment Transaction	1 January 2010
IFRS 9	Financial Instruments	1 January 2013
IAS 24	Related Party Disclosures (Revised)	1 January 2011
IAS 32	Amendments to IAS 32 Classification of Rights Issue	1 February 2010
IAS 39	Financial Instruments Recognition and Measurement – Eligible hedged items (Amendment)	1 July 2009
	Annual Improvements to IFRS	1 July 2009

International Financial Reporting Interpretations Committee (IFRIC)		Effective date*
<i>New interpretations</i>		
IFRIC 9	Amendments to IFRIC 9 and IAS 39 Embedded Derivatives	1 July 2009
IFRIC 14	Amendments to IFRIC 14 – Prepayments of a minimum funding requirement	1 January 2011
IFRIC 17	Distribution of Non-cash Assets to Owners	1 July 2009
IFRIC 18	Transfer of asset from Customers	1 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

\* The effective dates stated here are those given in the original IASB/IFRIC standards and interpretations. As the group has elected to prepare their financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the group's discretion to adopt standards early.

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the group's financial statements, other than additional disclosures, in the period of initial application.

#### Revenue

Revenue represents amounts derived from the group's ordinary activities, excluding value added tax, and is generated within the UK. The revenue and results are attributable to the principal activities of the group.

## Notes to the financial statements

at 31 December 2009

### 3. Operating profit

The group operating profit is stated after charging / (crediting)

	2009	2008
	£'000	£'000
Change in fair value of financial assets	(54,031)	(123,936)
Change in fair value of financial liabilities	54,031	123,936
Depreciation of owned assets	2,578	4,260
Amortisation of intangible assets	466	343
Fees paid to auditors for the audit of the financial statements	137	129
Other fees to auditors - taxation services	53	124
Other fees to auditors - other services	5	-
Operating lease rentals - property	684	577
- others	223	213

### 4. Directors remuneration and staff costs

	2009	2008
	£'000	£'000
Wages and salaries	10,739	8,941
Social security costs	1,128	972
Defined benefit pension costs (note 5)	50	106
Other pension costs	310	266
Share based payments	188	154
	12,415	10,439

The monthly average number of employees (including directors) during the year was 266 (2008 237)

	2009	2008
	Number	Number
Sales and Marketing	52	60
Administration	184	147
Operational	30	30
	266	237

#### Directors emoluments

	2009	2008
	£'000	£'000
Emoluments	562	347
Company contribution paid to defined contribution scheme	-	-
Company contribution paid to parent company defined benefit pension scheme	8	22

## Notes to the financial statements

at 31 December 2009

### 4. Directors remuneration and staff costs (continued)

	2009 Number	2008 Number
Members of defined contribution scheme	-	-
Members of parent company pension scheme	1	1
<i>Highest paid director</i>	<i>2009</i> <i>£'000</i>	<i>2008</i> <i>£'000</i>
Emoluments	562	197
Company contribution paid to defined contribution scheme	-	-
Company contribution paid to parent company defined benefit pension scheme	8	22

### 5. Pensions

The Scheme is a defined benefit scheme, providing benefits at retirement and on death-in-service to employees. The scheme is based on years of service and final pensionable salary. The scheme is closed to new entrants and the age profile of active members will increase over time.

The following tables summarise the components of net benefit expense recognised in the income statement, and the funded status and amounts recognised in the balance sheet for the scheme.

#### Net expense (recognised in administrative expenses)

	2009 £'000	2008 £'000
Current service cost	20	32
Past service cost	-	72
Interest cost on benefit obligation	13	10
Expected return on plan assets	(8)	(8)
<b>Net expense</b>	<b>25</b>	<b>106</b>
Actual return on plan assets	25	(25)

## Notes to the financial statements

at 31 December 2009

### 5. Pensions (continued)

#### Amount recognised in Statement of Comprehensive Income

	2009 £'000	2008 £'000
Actual return less expected return on scheme assets	17	(33)
Other actuarial (losses) / gains	(111)	77
<b>Actuarial (loss) / gain recognised in Statement of Comprehensive Income</b>	<b>(94)</b>	<b>44</b>

#### Defined benefit pension plan deficit

	2009 £'000	2008 £'000
Present value of scheme liability	(351)	(207)
Fair value of scheme assets	199	105
<b>Defined benefit pension plan deficit</b>	<b>(152)</b>	<b>(102)</b>

#### Defined benefit pension obligation

Changes in the present value of the defined benefit pension obligation are as follows

	2009 £'000	2008 £'000
Defined benefit pension obligation at 1 January	207	170
Actuarial losses / (gains) on obligation	111	(77)
Past service cost	-	72
Interest on obligation	13	10
Current service cost	20	32
<b>Defined benefit pension obligation at 31 December</b>	<b>351</b>	<b>207</b>

#### Fair value of plan assets

Changes in the fair value of plan assets are as follows

	2009 £'000	2008 £'000
Fair value of plan assets at 1 January	105	94
Expected return	8	8
Actuarial gains / (losses) on plan assets	17	(33)
Contributions by employer	69	36
<b>Fair value of plan assets at 31 December</b>	<b>199</b>	<b>105</b>

The company expects to contribute £86,000 to its defined benefit pension plan in 2010. The cumulative amount of actuarial gains and losses recognised since 1 January 2007 in the statement of comprehensive income is a net loss of £80,000 (2008: gain of £44,000).

## Notes to the financial statements

at 31 December 2009

### 5. Pensions (continued)

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows

	2009	2008
	%	%
Equities & Property	78	76
Bonds	11	12
Other	11	12

The principal assumptions used in determining pension benefit obligations for the group plan are shown below

	2009	2008
	%	%
Discount rate	5.7	6.2
Retail price inflation	3.7	2.8
Expected rate of return on assets	6.7	6.1
Salary increase rate	5.7	4.8
Pension increase (Limited Price Indexation) – LPI maximum	3.7	2.8
Deferred pension revaluation pre 6 April 2009	3.7	2.8
Deferred pension revaluation post 6 April 2009	2.5	N/A

Amount for the current and previous two periods are as follows

	2009	2008	2007
	£'000	£'000	£'000
Present value of scheme liability	(351)	(207)	(170)
Fair value of scheme assets	199	105	94
Deficits	(152)	(102)	(76)

The group operates two defined contribution pension schemes, the assets of which are held separately from those of the group. Employer's contributions to the schemes during the year were £310,000 (2008 £266,000). At 31 December 2009, contributions of £19,000 (2008 £17,000) were unpaid.

### 6. Finance Income

	2009	2008
	£'000	£'000
Interest receivable for late payment from customers	563	411
Interest receivable on supplier deposits	49	-
Bank interest receivable	11	384
On deposits with group undertakings	339	2,352
Other finance income	59	-
	<u>1,021</u>	<u>3,147</u>

For terms and conditions relating to related party receivables, refer to note 27



## Notes to the financial statements

at 31 December 2009

### 7. Finance cost

	2009 £'000	2008 £'000
Bank loans, overdrafts and other loans repayable within 5 years	-	64
Interest payable on customer deposits	1	-
On loans from group undertakings	68	250
Interest payable for late payment	32	18
Unwinding of discount on provision (note 20)	19	30
Other finance costs	4	-
	<u>124</u>	<u>362</u>

For terms and conditions relating to related party payables, refer to note 27

### 8. Taxation

	2009 £'000	2008 £'000
(a) Tax charge		
<b>Current income tax:</b>		
UK corporation tax on profits of the year	11,312	7,038
Group relief payable	560	-
Adjustments in respect of previous periods	(579)	60
Total current income tax	<u>11,293</u>	<u>7,098</u>
<b>Deferred tax:</b>		
Deferred income tax relating to the origination and reversal of temporary differences	870	(1,341)
<b>Tax charge in the income statement</b>	<u>12,163</u>	<u>5,757</u>
<b>Tax relating to item charged to equity</b>		
Deferred income tax related to items charged directly to equity during the year		
Valuation gain / (loss) on cash flow hedge – foreign exchange contracts	283	(281)
Valuation loss on cash flow hedge – gas swap arrangements	(3,383)	-
Actuarial loss on defined benefit pension	(14)	-
	<u>(3,114)</u>	<u>(281)</u>

## Notes to the financial statements

at 31 December 2009

### 8. Taxation (continued)

(b) Reconciliation of tax charge

	2009 £'000	2008 £'000
<b>Profit before tax</b>	<b>44,918</b>	<b>23,590</b>
Profit multiplied by standard rate of corporation tax of 28% (2008 28.5%)	12,577	6,723
Adjustments in respect of prior periods – current tax	(579)	60
Adjustments in respect of prior periods – deferred tax	28	(182)
Tax effect of non-deductible or non-taxable items	165	430
Group relief received for no consideration	(28)	-
Utilisation of brought forward tax losses	-	(183)
Utilisation of previously unrecognised temporary differences	-	(321)
Recognition of previously unrecognised temporary differences	-	(770)
<b>Tax charge</b>	<b>12,163</b>	<b>5,757</b>

(c) Deferred tax

An analysis of the movements in deferred tax is as follows

	2009 £'000	2008 £'000
Deferred tax (asset) / liability at 1 January	(640)	982
Deferred tax charge / (credit) in income statement for the year (note 8a)	870	(1,341)
Deferred tax credit to equity (note 8a)	(3,114)	(281)
<b>Deferred tax asset at 31 December</b>	<b>(2,884)</b>	<b>(640)</b>

Analysed as

	2009 £'000	2008 £'000
Accelerated capital allowances	1,080	1,432
Other short-term temporary differences	(571)	(1,612)
Unrelieved tax losses carried forward	-	(179)
Valuation loss on hedges	(3,381)	(281)
Actuarial loss on defined benefit pension	(14)	-
	<b>(2,884)</b>	<b>(640)</b>

The group has tax losses of £nil (2008 £639,000) to be carried forward indefinitely and offset against future taxable profits

### 9. Profit attributable to members of the parent company

The profit for the financial year dealt with in the financial statements of the parent company was £445,000 (2008 £1,644,000). As permitted by section 408 of the Companies Act 2006, no separate income statement is presented in respect of the parent company

## Notes to the financial statements

at 31 December 2009

### 10. Property, plant and equipment

Group	<i>Leasehold Property &amp; Improvements</i> £'000	<i>Plant &amp; Machinery</i> £'000	<i>Fixtures, fittings &amp; office equipment</i> £'000	<i>IT equipment</i> £'000	<i>Motor vehicles</i> £'000	<i>Total</i> £'000
<b>Cost</b>						
At 1 Jan 2009	1,241	37,779	1,341	2,029	35	42,425
Additions	-	2,503	222	332	-	3,057
Disposals / Transfers	-	(396)	-	(116)	-	(512)
Movement in discount rate (note 20)	-	169	-	-	-	169
At 31 Dec 2009	1,241	40,055	1,563	2,245	35	45,139
<b>Accumulated depreciation</b>						
At 1 Jan 2009	201	13,205	1,142	1,746	35	16,329
Charge for the year	54	2,248	115	161	-	2,578
Disposals	-	-	-	-	-	-
At 31 Dec 2009	255	15,453	1,257	1,907	35	18,907
<b>Net book amount</b>						
At 31 Dec 2009	986	24,602	306	338	-	26,232

Group	<i>Leasehold Property &amp; Improvements</i> £'000	<i>Plant &amp; Machinery</i> £'000	<i>Fixtures, fittings &amp; office equipment</i> £'000	<i>IT equipment</i> £'000	<i>Motor vehicles</i> £'000	<i>Total</i> £'000
<b>Cost</b>						
At 1 Jan 2008	1,241	36,522	1,345	1,800	35	40,943
Additions	-	1,412	-	229	-	1,641
Disposals	-	-	(4)	-	-	(4)
Movement in discount rate (note 20)	-	(155)	-	-	-	(155)
At 31 Dec 2008	1,241	37,779	1,341	2,029	35	42,425
<b>Accumulated depreciation</b>						
At 1 Jan 2008	146	9,385	1,057	1,453	28	12,069
Charge for the year	55	3,820	85	293	7	4,260
Disposals	-	-	-	-	-	-
At 31 Dec 2008	201	13,205	1,142	1,746	35	16,329
<b>Net book amount</b>						
At 31 Dec 2008	1,040	24,574	199	283	-	26,096
At 31 Dec 2007	1,095	27,137	288	347	7	28,874

#### Company

The company has no property, plant and equipment

## Notes to the financial statements

at 31 December 2009

### 11. Investments in subsidiaries

#### Company

Shares in subsidiary undertakings	<i>Total</i> £'000
Cost	
At 1 January 2009/31 December 2009	3,566

The company's subsidiary undertakings at 31 December 2009 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>
GDF SUEZ Solutions Limited <sup>(1)</sup>	England and Wales	Ordinary	100%
GDF SUEZ Sales Limited <sup>(1)</sup>	England and Wales	Ordinary	100%
GDF SUEZ Marketing Limited <sup>(1)</sup>	England and Wales	Ordinary	100%
GDF SUEZ Services Limited <sup>(2)</sup>	England and Wales	Ordinary	100%
GDF SUEZ Shotton Limited <sup>(3)</sup>	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 subsidiary is dormant

(3) The principal activity of the subsidiary is the generation of electricity

### 12. Intangible assets

<b>Group</b>	<i>Application Software £'000</i>	<i>Goodwill £'000</i>	<i>Total £'000</i>
<b>Cost</b>			
At 1 January 2009	9,677	4,377	14,054
Additions	802	-	802
Write off	(815)	-	(815)
Transfers from property, plant and equipment	116	-	116
At 31 December 2009	9,780	4,377	14,157
<b>Aggregate Amortisation</b>			
At 1 January 2009	7,261	-	7,261
Charge for the year	466	-	466
At 31 December 2009	7,727	-	7,727
<b>Net Book Amount</b>			
At 31 December 2009	2,053	4,377	6,430

## Notes to the financial statements

at 31 December 2009

### 12. Intangible assets (continued)

Group	Application Software £'000	Goodwill £'000	Total £'000
<b>Cost</b>			
At 1 January 2008	9,005	4,377	13,382
Additions	672	-	672
At 31 December 2008	9,677	4,377	14,054
<b>Aggregate Amortisation</b>			
At 1 January 2008	6,918	-	6,918
Charge for the year	343	-	343
At 31 December 2008	7,261	-	7,261
<b>Net Book Amount</b>			
At 31 December 2008	2,416	4,377	6,793
At 31 December 2007	2,087	4,377	6,464

Goodwill is subject to an annual impairment review

The application software capitalised relates to several different applications developed specifically for the Retail businesses of the GDF SUEZ Energy UK Limited group. The useful economic life of these applications has been determined as 3 years. The amortisation charge for the year has been included within administrative expenses.

The amount written off relates to the development cost for a software project, which has been discontinued as it is no longer financially feasible.

#### Company

The company has no intangible assets.

### 13. Impairment testing of goodwill with an indefinite life

Goodwill acquired through business combinations has been allocated to the Retail Supply Business cash-generating unit for impairment testing. The recoverable amount of the Retail Supply Unit has been determined based upon a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering a 5 year period together with extrapolated cash flow projections for a further 10 years.

A growth rate of 1.8% has been used to extrapolate the cash flow projections beyond the period covered by the approved budgets, and a discount rate of 7.05% has been applied to the cash flows.

## Notes to the financial statements

at 31 December 2009

### 14. Inventories

	2009 £'000	2008 £'000
Renewable obligation certificates	1,090	2,474
Emission rights	4,717	2,174
Fuel Oil	357	401
Levy Exempt Certificates	1,730	3,205
	<u>7,894</u>	<u>8,254</u>

### 15. Trade and other receivables

	<i>Group</i>		<i>Company</i>	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trade receivables	40,173	74,533	-	-
Other receivables	395	114	-	-
Amounts owed by group undertakings	34,257	24,617	10	81
Amounts owed by subsidiary undertakings	-	-	17,530	11,347
Prepayments	887	956	-	-
Accrued Income	92,659	103,548	-	-
Other taxes and social security	71	-	-	-
	<u>168,442</u>	<u>203,768</u>	<u>17,540</u>	<u>11,428</u>

For terms and conditions relating to related party receivables, refer to Note 27

Trade receivables are non interest bearing within terms, and are generally on 14-30 days terms

As at 31 December 2009, trade receivables with a nominal value of £9,313,000 (2008 £8,916,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows

	2009 £'000	2008 £'000
At 1 January	8,916	4,711
Charge for the year	397	4,205
At 31 December	<u>9,313</u>	<u>8,916</u>

As at 31 December, the analysis of trade receivables that were past due but not impaired is as follows

		<i>Past due but not impaired</i>			
	<i>Total</i>	<i>Neither past due nor impaired</i>	<i>&lt;30 days</i>	<i>30-270 days</i>	<i>&gt;270 days</i>
	£'000	£'000	£'000	£'000	£'000
2009	40,173	26,545	10,014	3,614	-
2008	74,533	39,949	31,349	2,367	868

## Notes to the financial statements

at 31 December 2009

### 16. Current tax liabilities

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Corporation tax liability	7,281	4,558	86	394
	<u>7,281</u>	<u>4,558</u>	<u>86</u>	<u>394</u>

### 17. Cash and short-term deposits

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash at bank and in hand	440	1,103	-	-
Short-term deposits	9,240	1,700	-	-
	<u>9,680</u>	<u>2,803</u>	<u>-</u>	<u>-</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the group, and earn interest at the respective short-term deposit rates.

The group operates a netting banking facility between its constituent companies. A Letter of Comfort from GDF SUEZ SA and a debenture and cash cover held in the name of the company's bankers provides security for this facility.

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 31 December:

	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
Cash at bank and in hand	440	1,103
Short-term deposits	9,240	1,700
Bank overdraft (note 19)	(36)	(47)
	<u>9,644</u>	<u>2,756</u>

## Notes to the financial statements

at 31 December 2009

### 18. Trade and other payables

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade payables	28,436	10,505	-	-
Amounts owed to group undertakings	99,334	110,211	-	-
Amounts owed to fellow subsidiary undertakings	-	-	110,799	22,255
Other creditors	42,558	29,118	-	-
Other taxation and social security	18,078	26,062	-	-
Accruals	42,465	38,589	-	9
	<u>230,871</u>	<u>214,485</u>	<u>110,799</u>	<u>22,264</u>

For terms and conditions relating to related party payables, refer to Note 27

### 19. Financial liabilities

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Current</b>				
Amounts due to customers in respect of certain supply contracts / Fair value adjustment of certain wholesale purchase commitments	171,500	110,812	-	-
Fair value adjustment of gas swap arrangements	10,238	-	-	-
Bank overdraft	36	47	-	-
	<u>181,774</u>	<u>110,859</u>	<u>-</u>	<u>-</u>
<b>Non-current</b>				
Amounts due to customers in respect of certain supply contracts / Fair value adjustment of certain wholesale purchase commitments	59,850	-	-	-
Fair value adjustment of gas swap arrangements	1,844	-	-	-
	<u>61,694</u>	<u>66,507</u>	<u>-</u>	<u>-</u>

The bank overdrafts are guaranteed by a Letter of Comfort from GDF SUEZ SA. The interest rate charged on the short term borrowings is Bank of England Base Rate + 1%

Please refer to note 21 for further details of amounts due to customers in respect of certain supply contracts/ fair value adjustment of certain wholesale purchase commitments



## Notes to the financial statements

at 31 December 2009

### 20. Provisions

Group	2009 Onerous Contracts £ 000	2009 Dismantling £'000	2009 Total £ 000	2008 Onerous Contracts £'000	2008 Dismantling £'000	2008 Total £'000
At 1 January	3,230	538	3,768	9,410	663	10,073
Arising during the year	2,369	19	2,388	1,205	30	1,235
Movement in discount rate	-	169	169	-	(155)	(155)
Utilised during the year	(1,898)	-	(1,898)	(7,385)	-	(7,385)
At 31 December	3,701	726	4,427	3,230	538	3,768
Current	1,498	-	1,498	1,922	-	1,922
Non-current	2,203	726	2,929	1,308	538	1,846
	3,701	726	4,427	3,230	538	3,768

#### *Onerous contracts*

Provision is made for the net present cost, using a risk-free discount rate, of expected losses on onerous long-term sales contracts. The provision is based on the difference between the contracted sales prices and the expected weighted average cost for each of electricity and gas.

#### *Dismantling provision*

The Power Plant is situated on land leased under a 99-year ground lease expiring in June 2098. The group is required within the terms of this lease to reinstate the premises to the state that existed at the commencement of the lease. Provision has been made for the net present value of the estimated cost of dismantling and decommissioning the power plant at the end of its useful economic life.

### 21. Financial risk management objectives and policies

The group's principal financial instruments comprise bank overdrafts and trade payables. The main purpose of these instruments is to raise finance for the group's operations. The group has various financial assets such as trade receivables, cash and short-term deposits, which arise directly from its operations. The company also has loans to and from fellow subsidiaries.

Certain wholesale purchase commitments, supply contracts and the gas swap arrangements are also designated as financial instruments.

The group used foreign currency hedges to mitigate the risk of foreign currency exchange movements for future payments and receipts. These were treated as cash flow hedges in line with IAS 39 with the net fair value movement being held in hedging reserve until settlement.

It is, and has been throughout 2009 and 2008, the group's policy that no trading in derivatives shall be undertaken, apart from the wholesale purchase commitments to satisfy demand forecast associated with its supply contracts and the gas swap agreement to hedge the risk associated with commodity price of gas.

The main risk arising from the group's financial instruments is interest rate risk. There are no significant liquidity or credit risks or foreign currency risk.

## Notes to the financial statements

at 31 December 2009

### 21. Financial risk management objectives and policies (continued)

#### *Interest rate maturity profile of financial assets and liabilities*

The following table sets out the carrying amount, by maturity, of the group and company's financial instruments that are exposed to interest rate risk

#### *Group*

<i>Year ended 31 December 2009</i>	<i>Within 1 year £'000</i>	<i>1 to 2 years £'000</i>	<i>2 to 3 years £'000</i>	<i>3 to 4 years £'000</i>	<i>4 to 5 years £'000</i>	<i>&gt;5 years £'000</i>	<i>Total £'000</i>
Cash and short term deposits	9,680	-	-	-	-	-	9,680
GDF SUEZ intercompany deposit facility	110,760	-	-	-	-	-	110,760
Bank overdraft	36	-	-	-	-	-	36

<i>Year ended 31 December 2008</i>	<i>Within 1 year £'000</i>	<i>1 to 2 years £'000</i>	<i>2 to 3 years £'000</i>	<i>3 to 4 years £'000</i>	<i>4 to 5 years £'000</i>	<i>&gt;5 years £'000</i>	<i>Total £'000</i>
Cash and short term deposits	2,803	-	-	-	-	-	2,803
GDF SUEZ intercompany deposit facility	28,200	-	-	-	-	-	28,200
Bank overdraft	47	-	-	-	-	-	47

#### *Company*

<i>Year ended 31 December 2009</i>	<i>Within 1 year £'000</i>	<i>1 to 2 years £'000</i>	<i>2 to 3 years £'000</i>	<i>3 to 4 years £'000</i>	<i>4 to 5 years £'000</i>	<i>&gt;5 years £'000</i>	<i>Total £'000</i>
GDF SUEZ intercompany deposit facility	110,760	-	-	-	-	-	110,760
Amount owed by subsidiary undertaking	-	42,745	-	-	-	-	42,745
Loan from parent undertaking	-	-	-	-	-	-	-

<i>Year ended 31 December 2008</i>	<i>Within 1 year £'000</i>	<i>1 to 2 years £'000</i>	<i>2 to 3 years £'000</i>	<i>3 to 4 years £'000</i>	<i>4 to 5 years £'000</i>	<i>&gt; 5 years £'000</i>	<i>Total £'000</i>
GDF SUEZ intercompany deposit facility	28,200	-	-	-	-	-	28,200
Amount owed by subsidiary undertakings	-	4,639	-	-	-	38,106	42,745
Loan from parent undertaking	-	-	-	-	-	-	-

## Notes to the financial statements

at 31 December 2009

### 21. Financial risk management objectives and policies (continued)

#### *Interest rate risk*

Amounts owed to/from the GDF SUEZ intercompany cash pooling facility, loans owed to/from fellow subsidiaries and amounts owed to the parent undertaking all bear interest at floating rates. Floating rate interest on financial instruments varies according to the underlying reference rate.

The other financial assets and financial liabilities of the group and company are non-interest bearing and therefore are not subject to interest rate risk.

#### *Interest rate risk table*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the group's profit before tax (through the impact on floating rate borrowings)

	<i>Increase/decrease in base rate</i>	<i>Effect on profit before tax £'000</i>
<b>2009</b>	+0.25%	356
	-0.25%	(356)
<b>2008</b>	+0.25%	150
	-0.25%	(150)

#### *Foreign currency risk*

The group has transactional foreign currency risk arising from sales in a currency other than the operating currency of the group. Less than 1% of the group's sales are denominated in currencies other than the functional currency of the group.

The company has taken steps to mitigate or eliminate its exposure to foreign currency risk, this explained further in note 22.

The following table demonstrates the sensitivity to a reasonably possible change in the Euro exchange rate, with all other variables held constant, of the group's profit before tax (due to changes in the fair value of monetary assets and liabilities)

	<i>Increase/decrease in Euro rate</i>	<i>Effect on profit before tax £'000</i>
<b>2009</b>	+5%	29
	-5%	(29)
<b>2008</b>	+5%	(1)
	-5%	1

## Notes to the financial statements

at 31 December 2009

### 21. Financial risk management objectives and policies (continued)

#### *Credit risk*

The group and company trade only with recognised, creditworthy third parties. It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The group utilises credit insurance for trade with third parties meeting certain criteria. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the group or the company, which comprise cash and short term deposits and trade and other receivables, the exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these assets as at the balance sheet date.

#### *Liquidity risk*

The availability of a £70m GDF SUEZ cash pooling facility, coupled with a £5m bank overdraft facility (2008 £20m), minimise the risk of a shortage of funds.

The maturity profile of the financial liabilities of the group and the company as at 31 December 2009 and as at 31 December 2008 based on contractual undiscounted payments is as follows:

#### *Group*

<i>Year ended 31 December 2009</i>	<i>On Demand</i>	<i>Less than 3 months</i>	<i>3-12 months</i>	<i>1 to 5 years</i>	<i>&gt;5 years</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Amounts owed to group undertakings	-	99,334	-	-	-	99,334
Trade and other payables	-	131,537	-	-	-	131,537
Amounts due to customers in respect of certain supply contracts	-	72,214	99,286	59,850	-	231,350
Fair value adjustment of gas swap arrangements	-	5,753	4,485	1,844	-	12,082
Bank overdrafts	-	36	-	-	-	36

<i>Year ended 31 December 2008</i>	<i>On Demand</i>	<i>Less than 3 months</i>	<i>3-12 months</i>	<i>1 to 5 years</i>	<i>&gt;5 years</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Amounts owed to group undertakings	-	110,211	-	-	-	110,211
Trade and other payables	-	104,274	-	-	-	104,274
Amounts due to customers in respect of certain supply contracts	-	28,979	81,833	66,507	-	177,319
Bank overdrafts	-	47	-	-	-	47
Derivative financial liability	-	-	-	1,049	-	1,049

## Notes to the financial statements

at 31 December 2009

### 21. Financial risk management objectives and policies (continued)

#### Company

<i>Year ended 31 December 2009</i>	<i>On Demand</i> £'000	<i>Less than 3 months</i> £'000	<i>3-12 months</i> £'000	<i>1 to 5 years</i> £'000	<i>&gt;5 years</i> £'000	<i>Total</i> £'000
Amounts owed to fellow subsidiaries	110,799	-	-	-	-	110,799

<i>Year ended 31 December 2008</i>	<i>On Demand</i> £'000	<i>Less than 3 months</i> £'000	<i>3-12 months</i> £'000	<i>1 to 5 years</i> £'000	<i>&gt;5 years</i> £'000	<i>Total</i> £'000
Amounts owed to fellow subsidiaries	22,255	-	-	-	-	22,255

#### Capital Management

The Group's primary capital management objective is to maintain a strong credit rating and healthy capital ratios

The Group monitors capital using return on capital employed (ROCE), which is operating profit divided by net assets

	<i>2009</i> £'000	<i>2008</i> £'000
Operating profit	44,021	20,805
Net Assets	77,480	52,588
<b>ROCE</b>	<b>56.8%</b>	<b>39.6%</b>

## Notes to the financial statements

at 31 December 2009

### 22. Financial instruments

#### Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the group and the Company's financial instruments, that are carried in the financial statements. Note that in all cases the fair value is equal to the carrying value of those assets and liabilities.

	<i>Group</i>		<i>Company</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Financial Assets</i>				
Cash and short term deposits	9,680	2,803	-	-
GDF SUEZ intercompany deposit facility	110,760	28,200	110,760	28,200
Amounts owed by group undertakings	27,907	24,617	10	81
Amounts owed by subsidiary undertakings				
- current	-	-	17,530	11,347
- non-current	-	-	42,745	42,745
Fair value adjustment of certain wholesale purchase commitments / Amounts due from customers in respect of certain supply contracts*				
- current	171,500	110,812	-	-
- non-current	59,850	66,507	-	-
Derivative financial asset^	7	12	-	-
<i>Financial Liabilities</i>				
Amounts due to customers in respect of certain supply contracts / Fair value adjustment of certain wholesale purchase commitments*				
- current	171,500	110,812	-	-
- non-current	59,850	66,507	-	-
Fair value adjustment of gas swap arrangements^				
- current	10,238	-	-	-
- non-current	1,844	-	-	-
Derivative financial liability^	-	1,018	-	-
GDF SUEZ intercompany borrowing facility	-	-	-	-
Bank overdrafts	36	47	-	-
Amounts owed to fellow subsidiary undertakings	-	-	110,799	22,264
Amounts owed to group undertakings	99,334	110,211	-	394
Amounts owed to parent undertaking	-	-	-	-

\*see note on fair value hedges below

^see note on cash flow hedges below

## Notes to the financial statements

at 31 December 2009

### 22. Financial instruments (continued)

#### Fair value hedges

Certain companies within the group enter into wholesale purchase commitments to cover future contracted supplies, subject to market liquidity, availability of products and compliance with risk policies and limits set down by management

The group had entered into wholesale purchase commitments for future delivery under certain supply contracts where the contract permits the customer to sell back the purchases made prior to delivery. The net purchase commitments related to such supply contracts have been fair valued through the income statement. The movement in fair value is entirely attributable to changes in market prices. The supply contracts with such customers are designated as hedging instruments and these supply contracts are also fair valued through the income statement (see note 2)

The hedging relationship expires either upon the sell back of the purchase commitment at any time before the month of delivery, as instructed by the customer to whom the corresponding supply contract relates, or on actual delivery of the non-financial instrument

Purchase commitments under all other supply contracts not containing a sell back facility are not fair valued but are measured using regular trade date accounting as these are classified as held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements

#### Cash flow hedges

At 31 December 2009, the group held a forward exchange contract designated as a hedge of expected future transactions with a group undertaking in France for which the group has firm commitments. The forward exchange contract is being used to hedge the foreign currency risk of the firm commitments

Forward Currency Contract	2009	2008
	£'000	£'000
Derivative financial asset (fair value)	7	12
Derivative financial liability (fair value)	-	(1,018)
	<u>7</u>	<u>(1,006)</u>

The critical terms of the forward currency contracts have been negotiated to match the terms of the commitments

The cash flow hedges of the expected future purchases due to be settled in January 2011 were assessed to be effective and a net unrealised gain of £7,000, with a deferred tax liability of £2,000 relating to the hedging instruments is included in equity

In 2009, the group entered into a swap arrangement with another group undertaking in France, in which the group swapped its index-priced gas purchased from its suppliers with fixed priced gas. This is to hedge its risk associated with market price of gas for supplying those customers with fixed price contracts

The contracts to purchase index-priced gas are designated as hedged items and each swap agreement is designated as hedging instruments. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity, net of tax, while the ineffective portion is recognized in income. The gains or losses accumulated in equity are reclassified to the income statement, under the same caption as the loss or gain on the hedged item – i.e. cost of sales for operating cash flows and financial income or expenses for other cash flows – in the same periods in which the hedged cash flows affect income

## Notes to the financial statements

at 31 December 2009

### 22. Financial instruments (continued)

If the hedging relationship is discontinued, in particular because the hedge is no longer considered effective, the cumulative gain or loss on the hedging instrument remains separately recognised in equity until the forecast transaction occurs. However, if a forecast transaction is no longer probable, the cumulative gain or loss on the hedging instrument is recognised in income.

#### Fair value hierarchy

As at 31 December 2009, the Group held the following financial instruments measured at fair value.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1	quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2	other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3	techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

#### Assets measured at fair value

	31-Dec-09	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000
Financial assets - commodity forward contract	231,350	-	231,350	-
Financial assets - foreign exchange contracts	7	-	7	-

#### Liabilities measured at fair value

	31-Dec-09	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000
Financial liabilities - commodity forward contract	231,350	-	231,350	-
Financial liabilities - gas swap arrangements	12,082	-	12,082	-

During the reporting period ending 31 December 2009, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.



## Notes to the financial statements

at 31 December 2009

### 23. Share based payments

*'Shares+ for all'*

GDF SUEZ SA Group operated three separate 'Shares+ for all' free share allocation plans for all its employees in the group. All employees employed by the company at 20 June 2007, 28 May 2008 and 30 April 2009 respectively were eligible for the 'Shares+ for all' free share allocation plan. Employees who remain in continuous service until 30 April 2009 and 31 May 2010 under the first two schemes respectively qualify for 15 shares in GDF SUEZ SA with a further 15 shares in GDF SUEZ SA subject to the GDF SUEZ Group achieving specific performance criteria, employees who remain in continuous service until 8 July 2011 in respect of the third scheme respectively qualify for 20 shares in GDF SUEZ SA.

The 2007 scheme reached its vesting period on 30 April 2009 and eligible employees received 30 free shares in GDF SUEZ SA.

The expense recognised for share-based payments in respect of employee services received up to 31 December 2009 is £188,000 (2008 - £154,000). All of this expense arises from equity-settled share-based payment transactions.

The following table illustrates the movement in the number of shares granted in the year together with the weighted average fair value ("WAFV") at the grant date,

	2009 No	2009 WAFV	2008 No	2008 WAFV
Outstanding at 1 January	7,050	31.97	-	-
Free shares vested	(5,580)	23.53	-	-
Free shares issued	19,768	20.89	7,050	31.97
Reduction due staff leavers	(3,452)	23.86		
Outstanding at 31 December	17,276	24.46	7,050	31.97

In accordance with IFRS 2, the group estimated the fair value of goods or services received during the period by reference to the fair value of the equity instruments rewarded as consideration for such goods or services. Fair value was estimated at the grant date, representing the date the Board of Directors approved the award. The fair value of shares awarded corresponds to the market price of the shares at the grant date, adjusted for -

- i) the estimated loss of dividends during the two-year vesting period, and
- ii) the non-transferability period applicable to the shares

The following table lists the inputs to the model used for the year ended 31 December 2009

	2009	2008
Reference price of the shares (£)	24.46	31.97
Current price of the underlying share (£)	26.68	33.64
Average expected period of non-transferability (years)	2	2
Dividend yield (%)	5.70	1.39
Risk free interest rate (%)	3.13	4.70

The period of non-transferability, the dividend yield and the risk free interest rate were incorporated into the measurement of fair value. No other features were incorporated into the measurement of fair value.

## Notes to the financial statements

at 31 December 2009

### 24. Authorised and issued share capital

	2009 £'000	2008 £'000
<i>Authorised</i>		
52,500,000 ordinary shares of £1 each	52,500	52,500
<i>Called up, allotted and fully paid</i>		
51,900,792 ordinary shares of £1 each	51,901	51,901

### 25. Reserves

#### *Hedging loss*

Hedging loss relates to the loss on the hedging instrument in a cash flow hedge that is determined to be an effective hedge

### 26 Other financial commitments

#### *(i) Operating leases*

The group has entered into commercial operating leases on certain properties, motor vehicles and items of office equipment. These leases have an average duration of 3 and 15 years. None of the leases contain an option for renewal.

Future minimum rentals payable under non-cancellable operating leases are as follows

	<i>Land and building</i>		<i>Other</i>	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Not later than one year	533	513	249	227
After one year but not more than five	1,896	2,047	379	512
After five years	1,044	1,754	175	302
	3,473	4,314	803	1,041

Land & Building commitments include three leases relating to 1 City Walk, Leeds and two leases relating to Central Park, New Lane, Leeds. GDF SUEZ Energy UK Limited acts as joint guarantor with GDF SUEZ International SA on two of the City Walk leases and GDF SUEZ Energy UK Limited acts as sole guarantor on the other City Walk lease. There are no guarantors of the Central Park leases.

The company has not entered into any non-cancellable operating leases.

## Notes to the financial statements

at 31 December 2009

### 26. Other financial commitments (continued)

#### (ii) Gas purchase commitments

At 31 December 2009 the group was committed to certain future gas purchase contracts. These contracts are due to be settled as follows:

	2009 £'000	2008 £'000
Not later than one year	279,781	360,363
After one year but not more than five	213,742	391,910
	<u>493,523</u>	<u>752,273</u>

#### (iii) Electricity purchase commitments

At 31 December 2009 the group was committed to certain future electricity purchase contracts. These contracts are due to be settled as follows:

	2009 £'000	2008 £'000
Not later than one year	373,698	547,403
After one year but not more than five	261,341	336,725
	<u>635,039</u>	<u>884,128</u>

## Notes to the financial statements

at 31 December 2009

### 27. Related party transactions

The consolidated financial statements include the financial statements of GDF SUEZ Energy UK Limited and the subsidiaries listed in the following table

	<i>% equity interest</i>	
	<i>2009</i>	<i>2008</i>
GDF SUEZ Solutions Limited	100	100
GDF SUEZ Sales Limited	100	100
GDF SUEZ Marketing Limited	100	100
GDF SUEZ Services Limited	100	100
GDF SUEZ Shotton Limited	100	100

The company's immediate parent undertaking is GDF SUEZ International SA, 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 GDF SUEZ SA, a company registered in France. Copies of GDF SUEZ's group financial statements can be obtained from GDF SUEZ SA, 22 rue du Docteur Lancereaux, 75008 PARIS, France

GDF SUEZ Teesside Limited is a company registered in England and Wales and is a subsidiary of the GDF SUEZ group. Its ultimate parent undertakings are GDF SUEZ SA and Electrabel Invest Holdings BV who both own 50% of the share capital of the company

Scotia Wind (Craigengelt) Limited is a company registered in England and Wales and is a subsidiary of GDF SUEZ International SA, its ultimate parent undertaking is GDF SUEZ SA

Cofathec Heatsave Limited is a company registered in England and Wales and is a subsidiary of the GDF SUEZ group, its ultimate parent undertaking is GDF SUEZ SA

GDF SUEZ E&P UK Ltd is a company registered in England and Wales and is a subsidiary of the GDF SUEZ group, its ultimate parent undertaking is GDF SUEZ SA

Gaselys SA is a company registered in France and is a Joint Venture between GDF SUEZ SA and Société Générale

Storengy UK Limited is a company registered in England and Wales and is a subsidiary of GDF SUEZ International SA, its ultimate parent undertaking is GDF SUEZ SA

Electrabel BV is a company registered in Belgium and its ultimate parent undertaking is GDF SUEZ SA

Branch Energy Services Limited is a company registered in England and Wales and is a subsidiary of GDF SUEZ SA

## Notes to the financial statements

at 31 December 2009

### 27. Related party transactions (continued)

Group						
2009	<i>Sales</i>	<i>Purchases</i>	<i>Interest</i>	<i>Interest</i>	<i>Amount</i>	<i>Amount</i>
	<i>£'000</i>	<i>£'000</i>	<i>receivable</i>	<i>payable</i>	<i>owed from</i>	<i>owed to</i>
			<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
GDF SUEZ SA	-	637,032	306	68	262	71,233
GDF SUEZ SA (GDF SUEZ intercompany deposit facility)	-	-	-	-	110,760	-
GDF SUEZ Teesside Limited	-	56,177	-	-	1,562	5,903
Scotia Wind (Craigengelt) Limited	-	(194)	-	-	17	-
Gaselys SA	-	46,887	33	-	24,761	7,740
Cofathec Sale PFI Limited	182	-	-	-	23	-
Cofely Limited	3,326	-	-	-	988	128
Storengy UK Limited	-	(4)	-	-	-	-
Electrabel BV	-	99,865	-	-	-	13,770
Branch Energy Services Limited	-	-	-	-	-	560
2008	<i>Sales</i>	<i>Purchases</i>	<i>Interest</i>	<i>Interest</i>	<i>Amount</i>	<i>Amount</i>
	<i>£'000</i>	<i>£'000</i>	<i>receivable</i>	<i>payable</i>	<i>owed from</i>	<i>owed to</i>
			<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
GDF SUEZ SA	29,569	847,265	2,352	250	6,276	92,260
GDF SUEZ SA (GDF SUEZ intercompany deposit facility)	-	-	-	-	28,200	-
GDF SUEZ Teesside Limited	61,087	76,293	-	-	15,462	17,027
Gaselys SA	-	33,234	-	-	1,062	923
GDF SUEZ E&P UK Ltd	-	20	-	-	-	-
Cofathec Heatsave Limited	3,921	-	-	-	1,330	1
Storengy UK Limited	-	(101)	-	-	19	-
Electrabel	315	-	-	-	468	-

#### *Terms and conditions of transactions*

The sales to and purchases from GDF SUEZ SA, Gaselys SA and Electrabel BV are based upon market prices and all balances are due within the month after the month of the delivery, the terms and conditions are comparable with an arm's length transaction

The transactions with Cofely Limited and Cofathec Sale PFI Limited are made at normal prices and with terms and conditions comparable with an arm's length transactions

The transactions with GDF SUEZ Teesside Limited are made at normal prices and with terms and conditions comparable with an arm's length transactions

GDF SUEZ International SA acts as joint guarantor with GDF SUEZ Energy UK Limited on two operating leases (note 26)

The group operates a netting banking facility between its constituent companies. Interest on the cash pooling account balance is received at SONIA minus 0.15% and charged at SONIA plus 0.45%. A Letter of Comfort from GDF SUEZ SA and a debenture and cash cover held in the name of the company's bankers provides security for this facility (note 17)

## Notes to the financial statements

at 31 December 2009

### 27. Related party transactions (continued)

#### Company

Sales to GDF SUEZ SA represent the sale of electricity to GDF SUEZ SA from GDF SUEZ Shotton Limited and a recharge for services performed by the group's employees on behalf of GDF SUEZ SA

Purchases from GDF SUEZ SA represent purchases of electricity and gas for onward resale to customers, and purchases of gas to be used in the generation of electricity at Shotton Combined Heat and Power Station. All transactions are made under terms and conditions comparable with those of an arm's length transaction.

Purchases from GDF SUEZ Teesside Limited represent purchases of electricity for onward resale to customers. Sales to GDF SUEZ Teesside represent the sale of gas for use in generation of electricity. All transactions are made under terms and conditions comparable with those of an arm's length transaction.

Interest payable to GDF SUEZ SA represents interest charged on current and non-current loans, the rate charged on these balances is equal to 3 month LIBOR + 0.35%

Purchases from Gaselys SA represent purchases of electricity for onward sale to customers, and purchases of gas to be used in the generation of electricity at Shotton Combined Heat and Power Station. All transactions are made under terms and conditions comparable with those of an arm's length transaction.

Purchases from GDF SUEZ E&P UK Ltd represent the cost of sponsorship activities recharged to the group.

Sales to Cofathec Heatsave Limited represent the sale of electricity and are made under terms and conditions comparable with those of an arm's length transaction.

2009	Sales £'000	Purchases £'000	Interest receivable £'000	Interest payable £'000	Amount owed from £'000	Amount owed to £'000
GDF SUEZ SA	-	-	306	-	10	-
GDF SUEZ SA (GDF SUEZ intercompany deposit facility)	-	-	-	-	110,760	-
GDF SUEZ Solutions Limited	-	-	-	306	5,563	110,799
GDF SUEZ Sales Limited	-	-	-	-	-	-
GDF SUEZ Marketing Limited	-	-	-	-	11,967	-
GDF SUEZ Marketing Limited (non-current loan)	-	-	-	-	4,639	-
GDF SUEZ Shotton Limited	-	-	-	-	-	-
GDF SUEZ Shotton Limited (non- current loan)	-	-	619	-	38,106	-

## Notes to the financial statements

at 31 December 2009

### 27. Related party transactions (continued)

2008	Sales £'000	Purchases £'000	Interest receivable £'000	Interest payable £'000	Amount owed from £'000	Amount owed to £'000
GDF SUEZ SA	-	-	2,352	250	81	-
GDF SUEZ SA (GDF SUEZ intercompany deposit facility)	-	-	-	-	28,200	-
GDF SUEZ Solutions Limited	-	-	-	68	-	22,255
GDF SUEZ Sales Limited	-	-	-	957	-	-
GDF SUEZ Marketing Limited	-	-	-	770	11,347	-
GDF SUEZ Marketing Limited (non-current loan)	-	-	-	-	4,639	-
GDF SUEZ Shotton Limited	-	-	-	307	-	-
GDF SUEZ Shotton Limited (non- current loan)	-	-	2,143	-	38,106	-

#### *Terms and conditions of transactions*

Interest payable to GDF SUEZ SA represents interest charged on current and non-current loans, the rate charged on these balances is equal to 3 month LIBOR + 0.35%

Interest receivable from/payable to the company's subsidiaries represents amounts charged on intercompany loan balances, the rate charged on these balances is equal to Bank of England Base Rate + 1.00%

#### *Compensation of key management personnel of the group*

	2009 £'000	2008 £'000
Salaries and short-term employee benefits	2,008	1,432
Post-employment benefits	74	73
Share-based payments	41	12
	<u>2,123</u>	<u>1,517</u>

£nil (2008 £60,000) was recharged to the group by Cofathec Projis Sarl, a subsidiary of GDF SUEZ SA, for the services of key management personnel

There have been no transactions with the Directors of the Company during the year other than those disclosed above and in note 4

## Notes to the financial statements

at 31 December 2009

### 28 Dividends Proposed

	<i>Company</i>	
	<i>2009</i>	<i>2008</i>
	<i>£'000</i>	<i>£'000</i>
Proposed for approval at the annual general meeting (not recognised as a liability as at 31 December)		
Dividends on ordinary shares		
Final dividend for 2009	18,645	-