

# **Gaz de France Marketing Limited**

## **Report and Financial Statements**

31 December 2004



# Gaz de France Marketing Limited

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Registered No. 4236804

## **Directors**

Mr J C Depail (Chairman)  
Mr E Stab

## **Secretary**

Mr D Park

## **Auditors**

Ernst & Young LLP  
Cloth Hall Court  
14 King Street  
Leeds LS1 2JN

## **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 financial statements of the company for the period ended 31 December 2004.

### Results and dividends

The results for the period ended 31 December 2004 are shown in the profit and loss account on page 6. The loss for the period after taxation was £8,723,195 (2003 – £11,162,029 loss).

The directors do not recommend the payment of a dividend.

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

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

During the period ended 31 December 2003, the company and certain of its fellow subsidiary undertakings moved their headquarters and operations from Telford to Leeds. The company continued to incur exceptional costs in respect of this relocation during the course of the year amounting to £32,342 (2003 – £908,093).

The result for the period reflects the company's investment in the growth of the business. The implementation of growth plans has achieved improved turnover during the course of the year. With this growth and the continued support of the parent company, the directors are confident that the future prospects of the company and its fellow subsidiary undertakings are very good.

### Directors and their interests

The directors who served during the period were:

Mr J C Depail (Chairman)  
Ms E R Stein  
Mr J L Over  
Ms M D Bucher  
Mr J C Marouby  
Mr P Persuy  
Mr E Stab  
Mr N Abensour

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

### Auditors

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

On behalf of the Board



J C Depail

Director

23<sup>rd</sup> March 2005

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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- *prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.*

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **Independent auditors' report**

**to the members of Gaz de France Marketing Limited**

We have audited the company's financial statements for the period ended 31 December 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 21. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

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

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

## **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Independent auditors' report

To the members of Gaz de France Marketing Limited (continued)

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2004 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
Leeds

*1 April 2005*

## Profit and loss account

for the year ended 31 December 2004

|  |              | <i>Year<br/>ended<br/>31 December<br/>2004<br/>Total<br/>£</i> | <i>Period<br/>ended<br/>31 December<br/>2003<br/>Total<br/>£</i> |
|--|--------------|--|--|
|  | <i>Notes</i> |  |  |
| <b>Turnover</b>                                    | 2            | 301,616,110  | 90,194,785   |
| Cost of sales                                      |              | (294,649,672)  | (91,537,687)   |
| Gross profit/(loss)                                |              | 6,966,438  | (1,342,902)  |
| Administrative expenses - ongoing                  |              | (16,520,368)   | (8,495,795)  |
| - exceptional                                      | 4            | (32,342)   | (908,093)  |
| <b>Operating loss</b>                              | 3            | (9,586,272)  | (10,746,790)   |
| Interest receivable                                | 6            | 272,850  | 19,965   |
| Interest payable and similar charges               | 7            | (750,528)  | (435,204)  |
| <b>Loss on ordinary activities before taxation</b> |              | (10,063,950)   | (11,162,029)   |
| Tax on loss on ordinary activities                 | 8            | 1,340,755  | -  |
| <b>Loss for the financial period</b>               | 16           | (8,723,195)  | (11,162,029)   |

All activities derive from continuing operations.

## Statement of total recognised gains and losses

for the year ended 31 December 2004

There are no recognised gains or losses attributable to the shareholders of the company other than the loss for the period ended 31 December 2004 of £8,723,195 (2003 – £11,162,029 loss).

## Balance sheet

at 31 December 2004

|  |       | 31 December<br>2004 | 31 December<br>2003 |
|--|-------|---------------------|---------------------|
|  | Notes | £                   | £                   |
| <b>Fixed assets</b>  |       |                     |                     |
| Tangible assets  | 10    | 37,603,289          | 42,060,670          |
| <b>Current assets</b>  |       |                     |                     |
| Stock  | 11    | 77,765              | 77,765              |
| Debtors  | 12    | 174,243,893         | 29,862,586          |
| Cash at bank and in hand                                       |       | 4,355,961           | 1,942,159           |
| Cash on deposit  |       | 27,849              | 3,900,000           |
|  |       | 178,705,468         | 35,782,510          |
| <b>Creditors: amounts falling due within one year</b>          | 13    | (232,906,981)       | (90,357,850)        |
| <b>Net current liabilities</b>                                 |       | (54,201,513)        | (54,575,340)        |
| <b>Total assets less current liabilities</b>                   |       | (16,598,224)        | (12,514,670)        |
| <b>Creditors: amounts falling due after more than one year</b> | 14    | (4,639,641)         | -                   |
| <b>Net Liabilities</b>   |       | (21,237,865)        | (12,514,670)        |
| <b>Capital and reserves</b>                                    |       |                     |                     |
| Called up share capital  | 15    | 1                   | 1                   |
| Profit and loss account  | 16    | (21,237,866)        | (12,514,671)        |
| <b>Equity shareholders' deficit</b>                            | 16    | (21,237,865)        | (12,514,670)        |

J C Depail

Director

23<sup>rd</sup> March 2005



## Notes to the financial statements

at 31 December 2004

### 1. Accounting policies

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

#### Going concern

The company is dependent on financial support being made available by its parent company to enable it to continue in operational existence and to meet its debts as they fall due. Gaz de France International S.A. which is the immediate parent company of Gaz de France ESS (UK) Limited which itself is the company's immediate parent company, has authorised and committed sufficient guarantees and letters of support to provide the necessary banking facilities on an ongoing basis. The directors believe that it is therefore appropriate to prepare financial statements on a going concern basis.

#### Statement of cash flows

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

#### Tangible fixed assets

Fixed assets are shown at cost or valuation less accumulated depreciation.

Depreciation is provided on the assets on a straight line basis over their estimated useful lives. The rates of depreciation are as follows:

|   |  |
|---|--|
| Long leasehold property                 | - over the remaining life of the power plant (to March 2031)   |
| Plant & Machinery                       | - over the remaining life of the power plant (to March 2031)<br>or hours utilised which ever is the most appropriate |
| Fixtures, fittings and office equipment | - 3 years  |
| IT equipment and software               | - 3 to 5 years   |
| Motor vehicles                          | - 5 years  |

#### Stocks

Stocks, which comprise fuel oil used at the power station, have been valued at the lower of cost and net realisable value.

#### Deferred taxation

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

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

#### Operating Leases and Hire Purchase Contracts

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

## Notes to the financial statements

at 31 December 2004

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

### Pension costs

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

## 2. Turnover

Turnover represents amounts derived from the company's ordinary activities, excluding value added tax. The turnover and profit are attributable to the principal activities of the company.

## 3. Operating loss

| This is stated after charging:       | 2004      | 2003      |
|--------------------------------------|-----------|-----------|
|                                      | £         | £         |
| Depreciation and amortisation:       |           |           |
| Owned assets                         | 6,524,348 | 2,536,350 |
| Assets held under finance leases     | 40,000    | 41,666    |
| Auditors' remuneration in respect of |           |           |
| - audit services                     | 28,000    | 30,000    |
| - non-audit services                 | 22,703    | 24,413    |
| Operating lease rentals              |           |           |
| - land & buildings                   | 207,106   | 108,292   |
| - other                              | 44,056    | 69,905    |

## 4. Exceptional items

|  | 2004   | 2003    |
|--|--------|---------|
|  | £      | £       |
| Cost of relocating continuing operations | 32,342 | 908,093 |

During the year ended 31 December 2003, the company and certain of its fellow subsidiary undertakings moved their headquarters and operations from Telford to Leeds and the costs incurred have been charged to profit in accordance with FRS 12. The charges in 2004 represent the costs incurred in completing this.

## 5. Directors' remuneration and staff costs

|                       | 2004      | 2003      |
|-----------------------|-----------|-----------|
|                       | £         | £         |
| Wages and salaries    | 3,887,780 | 3,141,256 |
| Social security costs | 422,283   | 305,539   |
| Other pension costs   | 175,983   | 112,744   |
|                       | 4,486,046 | 3,559,539 |

## Notes to the financial statements

at 31 December 2004

### 5. Directors' remuneration and staff costs - continued

The monthly average number of employees (including directors) during the year was 126 (At 31 December 2003 - 61).

|                     | 2004<br>Number | 2003<br>Number |
|---------------------|----------------|----------------|
| Sales and Marketing | 37             | 16             |
| Administration      | 89             | 45             |
|                     | <u>126</u>     | <u>61</u>      |

One director was remunerated during 2004 and received £146,667 inclusive of £27,618 company contributions paid to the parent company defined benefit pension scheme pension (2003 - £335,382 pension £11,873). Other group companies paid all other directors.

### 6. Interest receivable

|                         | 2004<br>£      | 2003<br>£     |
|-------------------------|----------------|---------------|
| Bank and other interest | <u>272,850</u> | <u>19,965</u> |

### 7. Interest payable and similar charges

|   | 2004<br>£      | 2003<br>£      |
|---|----------------|----------------|
| Bank loans, overdrafts and other loans repayable within 5 years | 206,189        | 8,082          |
| Finance lease interest  | 1,000          | 3,000          |
| Inter-company loan interest                                     | 543,339        | 424,122        |
|   | <u>750,528</u> | <u>435,204</u> |

### 8. Tax on loss on ordinary activities

(a) Analysis of credit in period

|   | 2004<br>£          | 2003<br>£ |
|---|--------------------|-----------|
| <i>Current tax:</i>                         |                    |           |
| UK corporation tax on profits in the period | -                  | -         |
| Group relief recoverable                    | (498,720)          | -         |
| Adjustment in respect of prior periods      | (842,035)          | -         |
| Tax on loss on ordinary activities          | <u>(1,340,755)</u> | <u>-</u>  |

## Notes to the financial statements

at 31 December 2004

### 8. Tax on loss on ordinary activities - continued

#### (b) Factors affecting tax credit for the period

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

|   | 2004<br>£    | 2003<br>£    |
|---|--------------|--------------|
| Loss on ordinary activities before tax  | (10,063,950) | (11,162,029) |
| Loss on ordinary activities multiplied by<br>standard rate of corporation tax in the UK (30%) | (3,019,185)  | (3,348,609)  |
| <i>Effect of:</i>   |              |              |
| Expenses not deductible for tax purposes  | 360,083      | 3,096        |
| Capital allowances in excess of depreciation  | 1,602,416    | 767,348      |
| Other timing differences  | 88,956       | -            |
| Adjustments in respect of previous periods  | (842,036)    | -            |
| Unrelieved tax losses   | 469,011      | 2,578,165    |
| Current tax credit for the period   | (1,340,755)  | -            |

#### (c) Factors affecting future tax charges

The company has tax losses of £10,851,031 (2003 - £10,372,644) to be carried forward into future periods that will be offset against available taxable profits from the same trade.

A net deferred tax asset of £4,770,081 in respect of these losses and other timing differences has not been recognised due to uncertainty of future profits (2003 - £3,695,617)

## Notes to the financial statements

at 31 December 2004

### 10. Tangible fixed assets

|                        | <i>Long<br/>Leasehold<br/>Property</i> | <i>Plant<br/>&amp;<br/>Machinery</i> | <i>Fixtures,<br/>fittings and<br/>office<br/>equipment</i> | <i>IT software<br/>and<br/>equipment</i> | <i>Motor<br/>vehicles</i> | <i>Total</i> |
|------------------------|--|--------------------------------------|--|--|---------------------------|--------------|
|                        | £                                      | £                                    | £  | £  | £                         | £            |
| <b>Cost:</b>           |  |                                      |  |  |                           |              |
| At 1 January 2004      | 1,212,807                              | 36,641,688                           | 393,469  | 6,588,048                                | 50,000                    | 44,886,012   |
| Additions              | 65,325                                 | 1,641,580                            | 15,516   | 384,546                                  | -                         | 2,106,968    |
| Disposals              | -                                      | (966,043)                            | -  | -  | -                         | (966,043)    |
| At 31 December 2004    | 1,278,132                              | 37,317,225                           | 408,985  | 6,972,594                                | 50,000                    | 46,026,936   |
| <b>Depreciation:</b>   |  |                                      |  |  |                           |              |
| At 1 January 2004      | 10,318                                 | 950,083                              | 9,819  | 1,852,622                                | 2,500                     | 2,825,342    |
| Charge for the year    | 45,462                                 | 4,204,559                            | 51,160   | 2,253,262                                | 9,905                     | 6,564,348    |
| Disposals              | -                                      | (966,043)                            | -  | -  | -                         | (966,043)    |
| At 31 December 2004    | 55,780                                 | 4,188,599                            | 60,979   | 4,105,884                                | 12,405                    | 8,423,647    |
| <b>Net book value:</b> |  |                                      |  |  |                           |              |
| At 31 December 2004    | 1,222,352                              | 33,128,626                           | 348,006  | 2,866,710                                | 37,595                    | 37,603,289   |
| At 31 December 2003    | 1,202,489                              | 35,691,605                           | 383,650  | 4,735,426                                | 47,500                    | 42,060,670   |

At 31 December 2004, IT software and equipment included leased assets with a net book value of £28,463 (2003 - £68,463).

### 11. Stock

|          | 2004<br>£ | 2003<br>£ |
|----------|-----------|-----------|
| Fuel Oil | 77,765    | 77,765    |

### 12. Debtors: amounts falling due within one year

|  | 2004<br>£   | 2003<br>£  |
|--|-------------|------------|
| Trade debtors                                  | 59,917,197  | 24,737,770 |
| Amounts owed by group undertakings             | 28,587,479  | 3,675,603  |
| Amounts owed by fellow subsidiary undertakings | 81,124,862  | -          |
| Other debtors                                  | 8,249       | 721,598    |
| Prepayments and accrued income                 | 580,443     | 727,615    |
| Other taxes and social security                | 4,025,663   | -          |
|  | 174,243,893 | 29,862,586 |

## Notes to the financial statements

at 31 December 2004

### 13. Creditors: amounts falling due within one year

|   | 2004               | 2003              |
|---|--------------------|-------------------|
|   | £                  | £                 |
| Obligations under finance lease and hire purchase contracts | -                  | 25,500            |
| Bank loans and overdrafts                                   | 4,517,296          | -                 |
| Trade creditors   | 1,561,859          | 1,295,956         |
| Amounts owed to group undertakings                          | 63,311,940         | 80,460,852        |
| Amounts owed to fellow subsidiary undertakings              | 138,789,224        | -                 |
| Corporation tax creditor                                    | 324                | 5,820             |
| Other creditors   | -                  | 60,953            |
| Other taxes and social security                             | 13,759,763         | 2,330,329         |
| Accruals and deferred income                                | 10,966,575         | 6,178,440         |
|   | <u>232,906,981</u> | <u>90,357,850</u> |

### 14. Creditors: amounts falling due after one year

|                                    | 2004             | 2003     |
|------------------------------------|------------------|----------|
|                                    | £                | £        |
| Amounts owed to group undertakings | 4,639,641        | -        |
|                                    | <u>4,639,641</u> | <u>-</u> |

### 15. Share capital

|   | 2004         | 2003         |
|---|--------------|--------------|
|   | £            | £            |
| <i>Authorised</i>                         |              |              |
| 1000 ordinary shares of £1 each           | 1,000        | 1,000        |
|   | <u>1,000</u> | <u>1,000</u> |
| <i>Allotted, called up and fully paid</i> |              |              |
| 1 ordinary share of £1                    | 1            | 1            |
|   | <u>1</u>     | <u>1</u>     |

## Notes to the financial statements

at 31 December 2004

### 16. Reconciliation of Movements in Shareholders' Funds and Movement on Reserves

|                     | <i>Share<br/>Capital</i> | <i>Profit<br/>and Loss<br/>Account</i> | <i>Total<br/>Shareholders'<br/>Funds</i> |
|---------------------|--------------------------|--|--|
|                     | £                        | £                                      | £  |
| At 1 January 2003   | 1                        | (1,352,642)                            | (1,352,641)                              |
| Loss for the year   | -                        | (11,162,029)                           | (11,162,029)                             |
| At 31 December 2003 | 1                        | (12,514,671)                           | (12,514,670)                             |
| Loss for the year   | -                        | (8,723,195)                            | (8,723,195)                              |
| At 31 December 2004 | 1                        | (21,237,866)                           | (21,237,865)                             |

### 17. Pension arrangements

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company. Employer's contributions to the scheme during the year were £175,983 (2003 - £112,744). At 31 December 2004, contributions of £nil (2003 - £6,956) were unpaid.

### 18. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows;

|   | <i>2004</i> | <i>2003</i> |
|---|-------------|-------------|
|   | £           | £           |
| Amounts due within 1 year                       | -           | 25,500      |
| Amounts due within 2 – 5 years                  | -           | -           |
|   | -           | 25,500      |
| Less finance charge allocated to future periods | -           | -           |
|   | -           | 25,500      |

## Notes to the financial statements

at 31 December 2004

### 19. Other financial commitments

#### (ii) Operating leases

Annual commitments under non-cancellable operating leases are as follows;

|                                | <i>Land and building</i> |                | <i>Other</i>  |               |
|--------------------------------|--------------------------|----------------|---------------|---------------|
|                                | <i>2004</i>              | <i>2003</i>    | <i>2004</i>   | <i>2003</i>   |
|                                | <i>£</i>                 | <i>£</i>       | <i>£</i>      | <i>£</i>      |
| Operating leases which expire: |                          |                |               |               |
| within one year                | -                        | -              | 15,835        | 191           |
| in two to five years           | -                        | -              | 49,409        | 80,502        |
| after five years               | 451,099                  | 340,440        | -             | -             |
|                                | <u>451,099</u>           | <u>340,440</u> | <u>65,245</u> | <u>80,693</u> |

Land & Building commitments include three leases relating to 1 City Walk, Leeds. Gaz de France ESS (UK) Limited acts as joint guarantor with GDF International SA on both of these leases.

#### (iii) Electricity purchase commitments

At 31 December 2004 the company was committed to paying £254,374,680 (2003 – £65,492,892) during the next year under certain electricity purchase contracts.

### 20. Related party transactions

Advantage has been taken of Financial Reporting Standard 8 not to disclose transactions with entities that are part of the group. This is on the basis that 90% or more of the voting rights are controlled within the Gaz de France group and consolidated accounts that include these companies are available to the public.

### 21. Ultimate parent undertaking

The company's immediate parent undertaking is Gaz de France ESS (UK) Limited, a company registered in England and Wales.

The ultimate parent undertaking of the group is Gaz de France, a company registered in France. Copies of the group financial statements can be obtained from Gaz de France, 23 rue Philibert Delorme, 75840, Paris, Cedex 17, France.