

# **Gaz de France Marketing Limited**

## **Report and Financial Statements**

31 December 2003



**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 2003.

### Results and dividends

The results for the period ended 31 December 2003 are shown in the profit and loss account on page 6. The loss for the period after taxation was £11,162,029 (2002 – £1,352,642 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 purchase, supply and management of electricity to industrial and commercial customers.

On 26 October 2003 the company acquired a combined heat and power station located in Shotton, Deeside, to supplement its electricity supply business.

During the period, the company and certain of its fellow subsidiary undertakings moved their headquarters and operations from Telford to Leeds. The company incurred exceptional costs in respect of this relocation amounting to £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 sales 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	Resigned 31 May 2003
Mr J L Over	Resigned 13 June 2003
Ms M D Bucher	Resigned 13 June 2003
Mr J C Marouby	Resigned 13 June 2003
Mr P Persuy	Resigned 13 June 2003
Mr E Stab	Appointed 13 June 2003
Mr N Abensour	Resigned 13 June 2003

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

16 July 2004

## **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 2003 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 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
Leeds

16 July 2004

**Profit and loss account**

for the year ended 31 December 2003

				Period ended 31 December 2003	18 Month period ended 17 December 2002
	Notes	Continuing Operations £	Acquisitions £	Total £	Total £
<b>Turnover</b>	2	83,160,324	7,034,461	90,194,785	21,317,618
Cost of sales		(83,027,278)	(8,510,409)	(91,537,687)	(16,919,376)
Gross profit/(loss)		133,046	(1,475,948)	(1,342,902)	4,398,242
Administrative expenses - ongoing		(7,540,917)	(954,878)	(8,495,795)	(5,484,846)
- exceptional	4	(908,093)	-	(908,093)	(90,000)
<b>Operating loss</b>	3	(8,315,964)	(2,430,826)	(10,746,790)	(1,176,604)
Interest receivable	6	19,965	-	19,965	41,048
Interest payable and similar charges	7	(429,038)	(6,166)	(435,204)	(211,266)
<b>Loss on ordinary activities before taxation</b>		(8,725,037)	(2,436,992)	(11,162,029)	(1,346,822)
Tax on loss on ordinary activities				-	(5,820)
<b>Loss for the financial period</b>	16			(11,162,029)	(1,352,642)

All activities derive from continuing operations.

**Statement of total recognised gains and losses**

for the year ended 31 December 2003

There are no recognised gains or losses attributable to the shareholders of the company other than the loss for the period ended 31 December 2003 of £11,162,029 (2002 – £1,352,642 loss).

## Balance sheet

at 31 December 2003

		31 December 2003	17 December 2002
	Notes	£	£
<b>Fixed assets</b>			
Tangible assets	10	42,060,670	4,162,768
<b>Current assets</b>			
Stock	11	77,765	-
Debtors	12	29,862,586	5,151,239
Cash at bank and in hand		1,942,159	2,229,934
Cash on deposit		3,900,000	516,000
		35,782,510	7,897,173
<b>Creditors: amounts falling due within one year</b>	13	(90,357,850)	(8,742,191)
<b>Net current liabilities</b>		(54,575,340)	(845,018)
<b>Total assets less current liabilities</b>		(12,514,670)	3,317,750
<b>Creditors: amounts falling due after more than one year</b>	14	-	(4,670,391)
<b>Net Liabilities</b>		(12,514,670)	(1,352,641)
<b>Capital and reserves</b>			
Called up share capital	15	1	1
Profit and loss account	16	(12,514,671)	(1,352,642)
<b>Equity shareholders' deficit</b>	16	(12,514,670)	(1,352,641)

J C Depail

Director

16 July 2004



## Notes to the financial statements

at 31 December 2003

### 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.

#### Basis of preparation

The purchase of the relevant assets associated with the combined heat and power station was completed on 6 October 2003. The purchase was made from Shotton Combined Heat & Power Limited which was at that time in administrative receivership. Due to the nature of the transaction the accounting records available for examination relating to the pre acquisition period were severely limited. As a result, the directors are unable to disclose a summary profit and loss account and summary statement of total recognised gains and losses for the pre acquisition period.

Due to the aforementioned restriction on accounting records available at the time of acquisition, the company received no detail of the net book value of the identifiable assets acquired. Thus it has not been possible to provide the information in respect of book values required by FRS 7. A fair value exercise has therefore been conducted to determine the fair value of the identifiable assets to the company as at the date of acquisition.

#### 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)
	- hours utilised
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.

# Notes to the financial statements

at 31 December 2003

## 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.

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:	2003	2002
	£	£
Depreciation and amortisation:		
Owned assets	2,536,350	247,326
Assets held under finance leases	41,666	9,871
Auditors' remuneration in respect of - audit services	30,000	20,000
- non-audit services	24,413	21,250
Operating lease rentals - land & buildings	108,292	-
- other	69,905	6,920

## 4. Exceptional items

	2003	2002
	£	£
Cost of relocating continuing operations	908,093	90,000

During the year 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 profits in accordance with FRS12.

## Notes to the financial statements

at 31 December 2003

### 5. Directors' remuneration and staff costs

	2003 £	2002 £
Wages and salaries	3,141,256	2,659,603
Social security costs	305,539	282,371
Other pension costs	112,744	317,456
	<u>3,559,539</u>	<u>3,259,430</u>

The monthly average number of employees (including directors) during the year was 61 (At 17 December 2002 - 51).

	2003 Number	2002 Number
Sales and Marketing	16	11
Administration	45	40
	<u>61</u>	<u>51</u>

One director was remunerated during 2003 and received £335,382 inclusive of £11,873 pension costs (2002 - £268,483 pension £32,555). Other group companies paid all other directors.

### 6. Interest receivable

	2003 £	2002 £
Bank and other interest	19,965	41,048
	<u>19,965</u>	<u>41,048</u>

### 7. Interest payable and similar charges

	2003 £	2002 £
Bank loans, overdrafts and other loans repayable within 5 years	8,082	-
Finance lease interest	3,000	1,625
Inter company loan interest	424,122	209,641
	<u>435,204</u>	<u>211,266</u>

## Notes to the financial statements

at 31 December 2003

### 8. Tax on loss on ordinary activities

#### (a) Analysis of charge in period

	2003	2002
	£	£
<i>Current tax:</i>		
UK corporation tax on profits in the period	-	5,820
Prior year overprovision	-	-
	<hr/>	<hr/>
Tax on loss on ordinary activities	-	5,820
	<hr/>	<hr/>

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

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

	2003	2002
	£	£
Loss on ordinary activities before tax	(11,162,029)	(1,346,822)
	<hr/>	<hr/>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK (30%)	(3,348,609)	(404,046)
<i>Effect of:</i>		
Expenses not deductible for tax purposes	3,096	59,763
Capital allowances in excess of depreciation	767,348	(183,525)
Unrelieved tax losses	2,578,165	533,628
	<hr/>	<hr/>
Current tax charge for the period	-	5,820
	<hr/>	<hr/>

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

The company has tax losses of approximately £10,372,600 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 £3,695,617 in respect of these losses and other timing differences has not been recognised due to uncertainty of future profits (2002 - £350,013)

## Notes to the financial statements

at 31 December 2003

### 9. Acquisition

On 6 October 2003, the company acquired certain business assets of Shotton Combined Heat and Power Limited for total cash consideration of £38,117,205. The assets acquired have been included in the company's balance sheet at their fair value at the date of acquisition.

Due to restrictions on accounting records available at the time of acquisition, the company received no detail of the net book value of the identifiable assets acquired. Consequently, it is not possible to show the book value and fair value adjustments required by FRS 7.

A fair value exercise has been conducted and as a result the fair value of the identifiable assets to the company as at the date of acquisition was as follows;

	<i>Fair value to company £</i>
<b>Tangible fixed assets</b>	
Long leasehold property	1,199,570
General plant & machinery	21,599,611
Plant & machinery – generators	8,989,311
Plant & machinery – spares	6,199,922
Motor vehicles	50,000
	<hr/> 38,038,414
<b>Current Assets</b>	
Stocks – fuel oil	78,791
	<hr/> 38,117,205 <hr/>
Satisfied by;	
Cash consideration	<hr/> 38,117,205 <hr/>

During the two year period following the date of acquisition, if the company enters into an agreement, or option, which results in the subsequent disposal of substantially all of the assets used in connection the business to any person other than a member of the Gaz de France group, a windfall payment may become payable to the seller.

A windfall payment will only become due where the price received for any such disposal exceeds the price paid on the 6 October 2003. Such a payment will be equal to a fraction of the excess of the sale price over the original purchase price. The fraction will be calculated by reference to the fraction of realised consideration received over total consideration multiplied by 25%. No provision has been made for such a payment as the group does not intend to dispose of these assets.

The acquired business assets produced a loss of £2,436,992 in the period from 6 October 2003 to 31 December 2003. Due to a restriction on the availability of accounting records prior to the acquisition it is not possible to provide any summary results for the accounting period up to the date of the acquisition.

## Notes to the financial statements

at 31 December 2003

## 10. Tangible fixed assets

	<i>Long Leasehold Property</i>	<i>Plant &amp; Machinery</i>	<i>Fixtures, fittings and office equipment</i>	<i>IT software and equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£	£	£
<b>Cost:</b>						
At 18 December 2002	-	-	-	4,410,094	-	4,410,094
Acquired on 6 October 2003	1,199,570	36,788,845	-	-	50,000	38,038,415
Additions	13,237	19,658	393,469	2,177,954	-	2,604,318
Transfer to consumables	-	(166,815)	-	-	-	(166,815)
At 31 December 2003	<u>1,212,807</u>	<u>36,641,688</u>	<u>393,469</u>	<u>6,588,048</u>	<u>50,000</u>	<u>44,886,012</u>
<b>Depreciation:</b>						
At 18 December 2002	-	-	-	247,326	-	247,326
Charge for the year	10,318	950,083	9,819	1,605,296	2,500	2,578,016
At 31 December 2003	<u>10,318</u>	<u>950,083</u>	<u>9,819</u>	<u>1,852,622</u>	<u>2,500</u>	<u>2,825,342</u>
<b>Net book value:</b>						
At 31 December 2003	<u>1,202,489</u>	<u>35,691,605</u>	<u>383,650</u>	<u>4,735,426</u>	<u>47,500</u>	<u>42,060,670</u>
At 17 December 2002	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,162,768</u>	<u>-</u>	<u>4,162,768</u>

At 31 December 2003, IT software and equipment included leased assets with a net book value of £68,463 (2002 - £110,129).

## 11. Stock

	2003 £	2002 £
Fuel Oil	<u>77,765</u>	<u>-</u>

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

	2003 £	2002 £
Trade debtors	24,737,770	3,897,504
Amounts owed by group undertakings	3,675,603	-
Other debtors	721,598	-
Prepayments and accrued income	727,615	1,253,735
	<u>29,862,586</u>	<u>5,151,239</u>

## Notes to the financial statements

at 31 December 2003

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

	2003 £	2002 £
Obligations under finance lease and hire purchase contracts	25,500	58,750
Trade creditors	1,295,956	2,688,004
Amounts owed to group undertakings	80,460,852	2,000,000
Corporation tax creditor	5,820	5,820
Other creditors	60,953	4,250
Other taxes and social security	2,330,329	929,533
Accruals and deferred income	6,178,440	3,055,834
	<u>90,357,850</u>	<u>8,742,191</u>

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

	2003 £	2002 £
Obligations under finance lease and hire purchase contracts	-	30,750
Amounts owed to group undertakings	-	4,639,641
	<u>-</u>	<u>4,670,391</u>

### 15. Share capital

	2003 £	2002 £
<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 2003

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

	<i>Share Capital</i>	<i>Profit and Loss Account</i>	<i>Total Shareholders' Funds</i>
	£	£	£
At 1 January 2001	1	-	1
Loss for the year	-	(1,352,642)	(1,352,642)
At 31 December 2002	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)

## 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 £112,744 (2002 – £317,456). At 31 December 2003, contributions of £6,956 (2002 – £227,688) were unpaid.

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

The maturity of these amounts is as follows;

	<i>2003</i>	<i>2002</i>
	£	£
Amounts due within 1 year	25,500	63,000
Amounts due within 2 – 5 years	-	30,750
	25,500	93,750
Less finance charge allocated to future periods	-	(4,250)
	25,500	89,500



## Notes to the financial statements

at 31 December 2003

### 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>	
	2003	2002	2003	2002
	£	£	£	£
Operating leases which expire:				
within one year	-	-	191	-
in two to five years	-	-	80,502	53,097
after five years	340,440	-	-	-
	<u>340,440</u>	<u>-</u>	<u>80,693</u>	<u>53,097</u>

Land & Building commitments include two 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 2003 the company was committed to paying £65,492,892 (2002 – £6,429,641) during the next year under certain electricity purchase contracts.

### 20. Related party transactions

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

### 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.