Registered Number : 4236804

Gaz de France Marketing Limited

Report and Financial Statements

31 December 2007

Registered No 4236804

Directors

Mr P F G Clavel (Chairman)
Mr E Stab

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
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LS11 9DX

Directors' report

The directors present their report and the company financial statements for the year ended 31st December 2007

Results and dividends

The results for the year ended 31st December 2007 are shown in the Income Statement on page 8 The profit for the year after taxation was £3,751,000 (2006 £4,779,000 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 and natural gas to industrial and commercial customers

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

	2007	*2006*	*Change %*
Revenue (£'000)	560,564	642,395	(13)
Gross profit (£'000)	11,832	3,723	218
Profit before tax	3,501	(5,241)	167
Volume sold (GWh)	10,069	10,949	(8)

The improved result for the year reflects the group's investment in the development of the business Electricity revenue has decreased by 13% in 2007 compared to 2006 The decrease in revenue is a consequence of lower wholesale electricity market prices in 2007 and a rationalisation of the delivering electricity portfolio The volume delivered in GWh in 2007 showed an 8% decrease compared to the volume delivered in 2006

The group made significant progress on cost control, despite the problems posed by the increasing volatility of the UK energy markets

The company's gross profit and profit from continuing operations before tax increased to £11,832,000 (2006 £3,723,000) and £3,501,000 (2006 £5,241,000 loss) respectively The improvement in profitability is driven by improved portfolio management

The company's net liabilities were £35,427,000 (2006 £39,178,000), including cash and short term deposits of £2,246,000 (2006 £6,883,000) However there has been a year on year improvement in the net asset position of the group headed by Gaz de France ESS (UK) Ltd

The delivering portfolio of electricity customers remains strong and provides a firm foundation for the forthcoming year Based on the results achieved this year and the continued support of the ultimate parent company, the directors are confident that the future prospects of the company are satisfactory

Principal risks and uncertainties facing the company

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

Exposure to energy price risk is minimised by restricting quotation validity to limited underlying market price movements and by hedging sales with purchases at the point of contract acceptance Electricity forward contracts are used for hedging purposes only and to provide greater certainty on future revenues and costs

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

Directors' report

Principal risks and uncertainties facing the company (continued)

The company's treasury policies seek to reduce and minimise financial risk and ensure sufficient liquidity for foreseeable needs Virtually all transactions are in £ sterling, thus eliminating the need for foreign exchange risk management

There is a comprehensive budgeting system in place with an annual budget approved by the Board 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

An Internal Control Review Project was begun during the year The aim of this project is to document policies and procedures for key processes throughout the business, with the objective of achieving a greater level of control and process consistency

There is a Gaz de France group instruction manual setting out policies and procedures with which the company is required to comply The Management Team are responsible for ensuring that the company observes and implements the policies and procedures set out in the manual which is regularly reviewed and updated

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 External consultants provide support in ensuring compliance with Health and Safety legislation and good practice

Directors

The directors who served during the year ended 31st December 2007 were

Mr P F G Clavel (Chairman)	appointed 18th September 2007
Mr J C Depail	resigned 21st December 2007
Mr E Stab	

Supplier payment policy

The company'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 abide by the terms of payment

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 company continues and that appropriate training is arranged It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees

Employees

The company 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 company 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

Environmental Policy

The company is committed to reducing its impact on the environment As part of this commitment the company actively promotes and encourages energy efficiency and recycling wherever possible An 'Energy and Environment Week' was held again this year to highlight and reaffirm the important issues Staff are encouraged to take part in environmental challenges within the local community

Directors' report

Auditors
In accordance with section 386 of the Companies Act 1985, a resolution to dispense with the obligation to appoint auditors annually was passed on 12 December 2006

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

P F G Clavel

Director

2 April 2008

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 United Kingdom law and those International Financial Reporting Standards as adopted by the European Union

The directors are required to prepare financial statements for each financial year which present fairly the financial position of the company and the financial performance and cash flows of the company for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes 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 IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance, and
- state that the company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements

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 member of Gaz de France Marketing Limited

We have audited the company's financial statements (the "financial statements") for the year ended 31st December 2007 which comprise the Income Statement, the Statement of Recognised Income and Expense, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 23 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's member, 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 member 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 company's member as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors
The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as set out in the Statement of Directors' Responsibilities

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you if, in our opinion, the information given in the Directors' Report is consistent with the financial statements

In addition we report to you if, in our opinion, 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 other transactions are 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments 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 member of Gaz de France Marketing Ltd

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31st December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Leeds

3 April 2008

Income statement
for the year ended 31 December 2007

	Notes	2007 £'000	2006 £'000
Revenue	2	560,564	642,395
Cost of sales		(548,732)	(638,672)
Gross profit		11,832	3,723
Administrative expenses		(7,014)	(7,389)
Operating profit/(loss)	3	4,818	(3,666)
Finance income	5	1,038	12,863
Finance cost	6	(2,355)	(14,438)
Profit/(loss) before taxation		3,501	(5,241)
Tax credit	7	250	462
Profit/(loss) for the year attributable to equity holders of the parent company	20	3,751	(4,779)

All amounts relate to continuing activities

Statement of recognised income and expense
for the year ended 31 December 2007

There was no recognised income or expense attributable to the shareholders of the company other than the profit for the year ended 31 December 2007 of £3,751,000 (2006 – loss of £4,779,000)

Balance sheet
at 31 December 2007

	Note	2007 £'000	2006 £'000
Non-current assets			
Property, plant and equipment	8	606	900
Intangible assets	9	2,087	1,637
Financial assets	16	14,234	5,515
Total non-current assets		16,927	8,052
Current assets			
Inventories	10	3,601	2,028
Trade and other receivables	11	74,426	366,769
Financial assets	16	30,745	42,603
Cash and short term deposits	12	2,246	6,883
Total current assets		111,018	418,283
Current liabilities			
Trade and other payables	13	94,639	370,336
Interest bearing loans and borrowings	14	-	29,920
Financial liabilities	16	30,745	42,603
Provisions	15	7,173	2,795
Total current liabilities		132,557	445,654
NET CURRENT LIABILITIES		(21,539)	(27,371)
Non-current liabilities			
Interest bearing loans and borrowings	14	14,344	14,344
Financial liabilities	16	14,234	5,515
Provisions	15	2,237	-
Total non-current liabilities		30,815	19,859
NET LIABILITIES		(35,427)	(39,178)
Capital and reserves			
Equity share capital	18	-	-
Retained losses	20	(35,427)	(39,178)
TOTAL EQUITY	20	(35,427)	(39,178)

P F G Clavel

Director

2 April 2008

Cash flow statement

for year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Operating activities			
Profit / (loss) before taxation		3,501	(5,241)
Adjustments to reconcile profit /(loss) before taxation to net cash flows from operating activities			
Depreciation of property, plant and equipment		386	241
Amortisation of intangible fixed assets		481	1,146
Share based payments		-	20
Profit on disposal of property, plant and equipment		-	(6)
Finance income		(1,038)	(12,863)
Finance cost		2,355	14,438
(Increase) in inventories		(1,573)	(1,493)
Decrease / (increase) in trade and other receivables		293,022	(29,559)
Decrease / (increase) in financial assets		3,139	(20,298)
(Decrease) / increase in trade and other payables		(278,052)	427
(Decrease) / increase in financial liabilities		(3,139)	20,298
Increase / (decrease) in provisions		6,615	(3,113)
Cash generated from / (absorbed by) operations		25,697	(36,003)
Tax refund received		609	102
Net cash flows from operating activities		26,306	(35,901)
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		-	6
Purchase of property, plant and equipment		(92)	(282)
Purchase of intangible assets		(931)	(1,288)
Net cash flows used in investing activities		(1,023)	(1,564)
Net increase/(decrease) in cash and cash equivalents		**25,283**	**(37,465)**
Cash and cash equivalents at 1 January		**(23,037)**	**14,428**
Cash and cash equivalents at 31 December	**12**	**2,246**	**(23,037)**

Notes to the financial statements

at 31 December 2007

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

The financial statements of Gaz de France Marketing Limited (the 'Company') for the year ended 31 December 2007 were authorised for issue by the board of the directors on 2 April 2008 and the balance sheet was signed on the board's behalf by P F G Clavel Gaz de France Marketing Limited is a private limited company incorporated and domiciled in England & Wales

The company's financial statements have been prepared on a historical cost basis except for certain wholesale purchase commitments that have been measured at fair value The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 1985 The principal accounting policies adopted by the company are set out in note 2

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 2007

The company financial statements are presented in thousand Sterling (£000's)

Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows

The company has adopted the following new and amended IFRS and IFRIC interpretations during the year Adoption of these revised standards and interpretations did not have any effect on the financial statements of the company They did however give rise to additional disclosures

- IFRS 7 Financial Instruments Disclosures
- IAS 1 Amendment – Presentation of Financial Statements

IFRS 7 *Financial Instruments Disclosures*
This standard requires disclosures that enable users of the financial statements to evaluate the significance of the company's financial instruments and the nature and extent of risks arising from those financial instruments The new disclosures are included throughout the financial statements While there has been no effect on the financial position or results, comparative information has been revised where necessary

IAS 1 *Presentation of Financial Statements*
This amendment requires the company to make new disclosures to enable users of the financial statements to evaluate the company' objectives, policies and processes for managing capital These new disclosures are shown in note 16

Going concern

The company is dependent on financial support being made available by a group company, Gaz de France International S A , to enable it to continue in operational existence and to meet its debts as they fall due The ultimate parent company, Gaz de France International S A , 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

Significant accounting judgements

Judgements

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

Notes to the financial statements

at 31 December 2007

2. Accounting policies (continued)

Provisions

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

Property, plant and equipment

Property, plant and equipment are shown at cost less accumulated depreciation and any provision for impairment

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

Fixtures, fittings and office equipment	-	3 years
IT equipment	-	3 years to 5 years

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 company 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 assets 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

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 before being brought into use

Impairment of assets

The company 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 company 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 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

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 If that is the case the carrying amount of the asset is increased to its recoverable amount That increased amount cannot 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 profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase After such a reversal the depreciation charge is adjusted in future periods

Notes to the financial statements

at 31 December 2007

2. Accounting policies (continued)

Impairment of assets (continued)

to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life

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 company determines 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 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 as 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

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 company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired

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 statements, 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 company 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

Notes to the financial statements

at 31 December 2007

2. Accounting policies (continued)

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 company will not be able to recover balances in full Balances are written off when the probability of recovery is assessed as being remote

Cash and cash equivalents

Cash and short-term deposits 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 expense

Derecognition 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 derecognition 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

Derivative financial instruments and hedging

The company enters 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 remeasured 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

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

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

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 remeasured at fair value and gains and losses from both are taken to profit or loss The company 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 2007

2. Accounting policies (continued)

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 is accounted for at the weighted average purchase cost

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, 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

Provisions

A provision is recognised when the company 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 company 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

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

Notes to the financial statements

at 31 December 2007

2. Accounting policies (continued)

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

Borrowing costs

Borrowing costs are recognised as an expense when incurred

Pension costs

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 share-based transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense in the year granted as there is no vesting period Fair value is determined using an appropriate pricing model which takes into consideration the period in which shares are non transferable

Exceptional Items

The company presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency 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

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 – Vesting Conditions and Cancellations	1 January 2009
IFRS 3	Business Combinations (revised January 2008)	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IAS 1	Presentation of Financial Statements (revised September 2007)	1 January 2009
IAS 23	Borrowing Costs (revised March 2007)	1 January 2009
IAS 27	Consolidated & Separate Financial Statements (revised January 2008)	1 July 2009

International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	1 March 2008
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008

Notes to the financial statements

at 31 December 2007

2. Accounting policies (continued)

New standards and interpretations not applied (continued)

*The effective dates stated here are those given in the original IASB/IFRIC standards and interpretations As the Company 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 Company's discretion to early adopt standards

Whilst the revised IAS 1 will have no impact on the measurement of the Company's results or net assets, it is likely to result in certain changes in the presentation of the Company's financial statements from 2009 onwards

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

Revenue

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

3. Operating profit/(loss)

This is stated after charging/(crediting)

	2007	*2006*
	£'000	*£'000*
Change in fair value of financial assets	3,139	(20,298)
Change in fair value of financial liabilities	(3,139)	20,298
Depreciation of owned assets	386	241
Amortisation of intangible assets	481	1,146
Profit on disposal of property, plant and equipment	-	(6)
Fees paid to auditors for the audit of the financial statements	54	47
Other fees to auditors for taxation services	28	60
Operating lease rentals - land & buildings	382	382
- others	196	125

4. Directors remuneration and staff costs

	2007	*2006*
	£'000	*£'000*
Wages and salaries	6,059	5,516
Social security costs	631	591
Other pension costs	173	169
	6,863	6,276

Notes to the financial statements

at 31 December 2007

4. Directors remuneration and staff costs (continued)

The monthly average number of employees (including directors paid by Gaz de France Marketing Limited) during the year was 192 (2006 - 173)

	2007	*2006*
	Number	*Number*
Sales and Marketing	65	54
Administration	127	119
	192	173

One director was remunerated during 2007 and received £231,000 inclusive of £33,000 company contributions paid to the parent company defined benefit pension scheme pension (2006 - £206,000 inclusive of pension £21,000) Other group companies paid all other directors

5. Finance income

	2007	*2006*
	£'000	*£'000*
Interest receivable for late payment from customers	132	48
Bank interest receivable	412	89
Inter-company loan interest	494	12,726
	1,038	12,863

For terms and conditions relating to related party receivables, refer to note 23

6. Finance costs

	2007	*2006*
	£'000	*£'000*
Bank loans, overdrafts and other loans repayable within 5 years	83	108
Inter-company loan interest	2,268	14,314
Interest payable for late payment to suppliers	4	16
	2,355	14,438

For terms and conditions relating to related party payables, refer to note 23

Notes to the financial statements

at 31 December 2007

7. Taxation

	2007 £'000	2006 £'000
(a) Tax credit		
UK corporation tax		
UK corporation tax on profits	-	-
Group relief recoverable	-	(360)
Adjustments in respect of previous periods	(250)	(102)
Tax credit in the income statement	(250)	(462)

	2007 £'000	2006 £'000
(b) Reconciliation of tax credit		
Profit/(loss) before tax	3,501	(5,241)
Profit multiplied by standard rate of corporation tax of 30%	1,050	(1,572)
Adjustments in respect of prior periods	(250)	(102)
Tax effect of non-deductible or non-taxable items	13	47
Group relief surrendered for no payment	535	1,390
Utilisation of brought forward tax losses	(1,461)	-
Utilisation of previously unrecognised temporary differences	(137)	(225)
Tax credit	(250)	(462)

(c) Factors affecting future tax charges

The company has deductible temporary differences of £2,675,000 (2006 £4,125,000) and tax losses of £1,005,000 (2006 £5,873,000) to be carried forward indefinitely and offset against future taxable profits

A net deferred tax asset of £1,030,000 (2006 £2,999,000) in respect of deductible temporary differences and tax losses has not been recognised due to uncertainty of future taxable profits

Notes to the financial statements

at 31 December 2007

8. Property, plant and equipment

	Fixtures, fittings and office equipment	*IT equipment*	*Total*
	£'000	*£'000*	*£'000*
Cost			
At 1 January 2007	657	1707	2,364
Additions	9	83	92
Disposals	-	(61)	(61)
At 31 December 2007	666	1,729	2,395
Accumulated depreciation			
At 1 January 2007	269	1,195	1,464
Charge for the year	110	276	386
Disposals	-	(61)	(61)
At 31 December 2007	379	1,410	1,789
Net book amount			
At 31 December 2007	**287**	**319**	**606**
Cost			
At 1 January 2006	629	1,481	2,110
Additions	28	254	282
Disposals	-	(28)	(28)
At 31 December 2006	657	1,707	2,364
Accumulated depreciation			
At 1 January 2006	155	1,096	1,251
Charge for the year	114	127	241
Disposals	-	(28)	(28)
At 31 December 2006	269	1,195	1,464
Net book amount			
At 31 December 2006	388	512	900
At 31 December 2005	474	385	859

Notes to the financial statements

at 31 December 2007

9. Intangible assets

	2007	*2006*
	Application Software £'000	*Application Software £'000*
Cost		
At 1 January	8,074	6,786
Additions	931	1,288
At 31 December	9,005	8,074
Aggregate amortisation		
At 1 January	6,437	5,291
Charge for the period	481	1,146
At 31 December	6,918	6,437
Net book amount at 31 December	**2,087**	**1,637**

The application software capitalised relates to several different applications developed specifically for the Retail businesses of the Gaz de France ESS (UK) Ltd group The useful economic life of these applications has been determined as 3 years The amortisation charge for the year is included within administrative expenses

10. Inventories

	2007 £'000	*2006 £'000*
Levy Exempt Certificates and Renewable Obligation Certificates	3,601	2,028

11. Trade and other receivables

	2007 £'000	*2006 £'000*
Trade receivables	23,896	24,077
Other receivables	2,965	3,244
Amounts owed by group undertakings	19	3,450
Amounts owed by fellow subsidiary undertakings	4,997	285,244
Prepayments	411	395
Accrued income	42,138	50,359
	74,426	366,769

For terms and conditions relating to related party receivables, refer to note 23

Notes to the financial statements

at 31 December 2007

11. Trade and other receivables (continued)

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

As at 31 December 2007, trade receivables at nominal value of £1,208,000 (2006 £954,000) were impaired and fully provided for Movements in the provision for impairment of receivables were as follows

	2007 *£'000*	*2006* *£'000*
At 1 January	954	655
Charge for the year	254	299
At 31 December	1,208	954

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

			Past due but not impaired		
	Total *£'000*	*Neither past due nor impaired* *£'000*	*<30 days* *£'000*	*30-270 days* *£'000*	*>270 days* *£'000*
2007	23,896	11,344	10,983	1,121	448
2006	24,077	9,681	12,710	1,395	291

12. Cash and short-term deposits

	2007 *£'000*	*2006* *£'000*
Cash at bank and in hand	2,246	6,883
	2,246	6,883

Cash at bank earns interest at floating rates based on daily bank deposit rates

The company, in association with its immediate parent company and other subsidiary undertakings, operates a bank netting facility A Letter of Comfort from Gaz de France International SA 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

	2007 *£'000*	*2006* *£'000*
Cash at bank and in hand	2,246	6,883
Bank overdraft (Note 14)	-	(29,920)
	2,246	(23,037)

Notes to the financial statements

at 31 December 2007

13. Trade and other payables

	2007 £'000	2006 £'000
Trade payables	2,320	2,408
Amounts owed to group undertakings	30,449	46,728
Amounts owed to fellow subsidiary undertakings	25,195	286,633
Other creditors	14,282	14,564
Other taxation and social security	10,803	11,287
Accruals	11,590	8,716
	94,639	370,336

For terms and conditions relating to related party payables, refer to note 23

14. Interest bearing loans and borrowings

	2007 £'000	2006 £'000
Current		
Bank overdrafts (a)	-	29,920
Non-current		
Amount owed to fellow subsidiary undertaking (b)	14,344	14,344

(a) The bank overdraft is secured by a Letter of Comfort from Gaz de France International SA in favour of Barclays Bank Plc The interest rate charged on all overdrawn balances is Bank of England Base Rate + 1%

(b) The amount owed to fellow subsidiary undertaking relates to a loan received from subsidiary undertakings in consideration for the sale of the Combined Heat and Power Station at Shotton For terms and conditions please refer to note 23

Notes to the financial statements

at 31 December 2007

15. Provisions

	2007 Onerous Contracts £'000	*2006 Onerous Contracts £'000*
At 1 January	2,795	5,908
Arising during the year	9,372	2,795
Utilised	(2,757)	(5,908)
At 31 December	9,410	2,795
Current	7,173	2,795
Non-current	2,237	-
	9,410	2,795

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 purchase cost of electricity

16. Financial risk management objectives and policies

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

Certain wholesale purchase commitments and supply contracts are also designated as financial instruments

It is, and has been throughout 2007 and 2006, the Company's policy that no trading in derivatives shall be undertaken, apart from the wholesale purchase commitments to satisfy demand forecasting associated with its supply contracts

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

Interest rate maturity profile of financial assets and liabilities

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

Year ended 31 December 2007	*Within 1 year £ 000*	*1 to 2 years £'000*	*Total £'000*
Cash and short term deposits	2,246	-	2,246
Amounts owed by fellow subsidiary undertakings	4,997	-	4,997
Amounts owed to fellow subsidiary undertakings	25,195	14,344	39,539
Bank overdraft	-	-	-

Notes to the financial statements

at 31 December 2007

16. Financial risk management objectives and policies (continued)

Year ended 31 December 2006	*Within 1 year £'000*	*1 to 2 years £'000*	*Total £'000*
Cash and short term deposits	6,883	-	6,883
Amounts owed by fellow subsidiary undertakings	285,244	-	285,244
Amounts owed to fellow subsidiary undertakings	286,633	14,344	300,977
Bank overdraft	29,920	-	29,920

Interest rate risk

Amounts owed to/from fellow subsidiaries 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 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 Company's profit before tax (through the impact on floating rate borrowings)

	Increase/decrease in base rate	*Effect on profit before tax £'000*
2007	+0 25%	(60)
	-0 25%	60
2006	+0 25%	(85)
	-0 25%	85

Foreign currency risk

The Company has no significant foreign currency risk as very few transactions are carried out in currency other than Sterling

Credit risk

The Company trades only with recognised, creditworthy third parties It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures The Company 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 Company's exposure to bad debts is not significant

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents 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

Notes to the financial statements

at 31 December 2007

16. Financial risk management objectives and policies (continued)

Liquidity risk

The availability of a £70m Gaz de France cash pooling facility, coupled with a £20m overdraft facility, minimise the risk of a shortage of funds

The maturity profile of the financial liabilities of the Company as at 31 December 2007 and as at 31 December 2006 based on contractual undiscounted payments is as follows

Year ended 31 December 2007	On Demand £'000	Less than 3 months £'000	3-12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Amounts owed to fellow subsidiary undertakings	25,195	233	699	3,729	14,344	44,200
Amounts owed to group undertakings	-	30,449	-	-	-	30,449
Trade and Other Payables	-	38,995	-	-	-	38,995
Fair value adjustment of certain wholesale purchase commitments	-	8,548	22,196	14,234	-	44,979
Bank overdraft	-	-	-	-	-	-

Year ended 31 December 2006	On Demand £'000	Less than 3 months £'000	3-12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Amounts owed to fellow subsidiary undertakings	286,633	192	576	3,070	14,344	304,815
Amounts owed to group undertakings	-	46,728	-	-	-	46,728
Trade and Other Payables	-	36,975	-	-	-	36,975
Amounts due to customers in respect of certain supply contracts	-	19,107	23,496	5,515	-	48,118
Bank overdraft	29,920	-	-	-	-	29,920

Capital Management

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

The Gaz de France ESS Group monitors capital on a consolidated basis using return on capital employed (ROCE), which is earnings before interest and tax (EBIT) divided by total assets excluding current liabilities and cash

Notes to the financial statements

at 31 December 2007

17. Financial instruments

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of 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

	2007 *£'000*	*2006* *£'000*
Financial Assets		
Cash and short term deposits	2,246	6,883
Amounts owed by fellow subsidiary undertakings	4,997	285,244
Amounts owed by group undertakings	19	3,450
Amounts due from customers in respect of certain supply contracts / Fair value adjustment of certain wholesale purchase commitments *		
- current	30,745	42,603
- non-current	14,234	5,515
Financial Liabilities		
Bank overdraft	-	29,920
Amounts owed to fellow subsidiary undertakings		
- current	25,195	286,633
- non-current	14,344	14,344
Amounts owed to group undertakings	30,449	46,728
Fair value adjustment of certain wholesale purchase commitments / Amount due to customers in respect of certain supply contracts *		
- current	30,745	42,603
- non-current	14,234	5,515

*see note on fair value hedges below

Hedging activities

Fair value hedges

The Company enters 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

Prior to 31 December 2007, those companies 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

Other hedges

The company does not enter into cash flow hedges or hedges of net investment in foreign operations

Notes to the financial statements

at 31 December 2007

18. Authorised and issued share capital

	2007 £'000	2006 £'000
Authorısed		
1,000 ordınary shares of £1 each	1	1
Called up, allotted and fully paıd		
1 ordınary share of £1 each	-	-

19. Share-based payments

Durıng 2005 certaın ex-employees and all current employees wıth greater than 3 months servıce were entıtled to partıcıpate ın the Inıtıal Publıc Offerıng of Gaz de France, the ultımate parent undertakıng There were 3 share purchase schemes open to UK employees

Gaz Dıspo

The purchase cost of shares under thıs scheme was £15 43 and could be sold ımmedıately as they do not have a perıod of non-transferabılıty Bonus shares wıll be awarded on a 1 for 3 basıs ıf the shares are held for a perıod of 1 year

Gaz Plus

The purchase cost of shares under thıs scheme was £12 35, a 20% dıscount on the Inıtıal Publıc Offer prıce Shares are non-transferable for a perıod of two years and bonus shares wıll be awarded on a 1 for 2 basıs, up to a value of £356 61, and 1 for 4 basıs up to the maxımum lımıt of £836 76 provıdıng the shares are held for three years

Gaz Abond

The purchase cost of shares under thıs scheme was £12 35, a 20% dıscount on the Inıtıal Publıc Offer prıce Shares are non-transferable for a perıod of five years and bonus shares wıll be awarded on a 1 for 1 basıs, up to a value of £356 61, and 1 for 4 basıs up to the maxımum lımıt of £836 76 awarded once the five years has passed A further benefit of thıs scheme ıs that the company purchased shares on behalf of employees The company matched the employee ınvestment up to £456 61, contrıbuted £0 40 for every £1 00 the employee ınvested from £456 62 to £2,328 03 and contrıbuted £0 25 for every £1 00 the employee ınvested from £2,328 04 up to a maxımum of £6,664 81

The expense recognısed for share-based payments ın respect of employee servıces receıved durıng, and prıor to the year to 31 December 2007 ıs £nıl (2006 - £20,000)

The followıng table ıllustrates the number (No) of shares granted ın the year together wıth the weıghted average faır value (WAFV) at the grant date,

	2007 *No*	*2007* *WAFV*	*2006* *No*	*2006* *WAFV*
Shares purchased at grant date	-	-	-	-
Bonus shares ıssued	-	-	1,057	18 75
Total shares granted ın the year	-	-	1,057	18 75

Notes to the financial statements

at 31 December 2007

19. Share-based payments (continued)

The fair-value of the equity-settled shares granted has been estimated at the date of grant using a method set out in the French Conseil National de la Comptabilité communication on employee share ownership plans The valuation takes account of the terms and conditions upon which the shares were granted The following table lists the inputs to the model used for the year ended 31 December 2006

	2007	*2006*
Reference price of the shares(£)	-	-
Current price of the underlying share (£)	-	23 62
Average expected period of non-transferability (years)	-	-
Dividend yield (%)	-	3 25
Risk free interest rate (%)	-	3 20

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

20. Reconciliation of movements in equity

	Equity Share Capital	*Retained Losses*	*Total Equity*
	£'000	*£'000*	*£'000*
At 1 January 2006	-	(34,419)	(34,419)
Loss for the year	-	(4,779)	(4,779)
Share based payment	-	20	20
At 31 December 2006	-	(39,178)	(39,178)
Profit for the year	-	3,751	3,751
At 31 December 2007	-	(35,427)	(35,427)

21. 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 £173,000 (2006 – £169,000) At 31 December 2007, contributions of £nil (2006 £26,000) were unpaid

Notes to the financial statements

at 31 December 2007

22. Other financial commitments

(i) Operating leases

The company 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

	Land and building		*Other*	
	2007	*2006*	*2007*	*2006*
	£'000	*£'000*	*£'000*	*£'000*
Not later than one year	382	382	158	129
After one year but not more than five	1,528	1,528	351	62
After five years	2,061	2,433	372	-
	3,971	4,343	881	191

Land & Building commitments include three leases relating to 1 City Walk, Leeds Gaz de France ESS (UK) Ltd acts as joint guarantor with GDF International SA on 2 of these leases and Gaz de France ESS (UK) Ltd acts as sole guarantor on the other lease

(ii) Electricity purchase commitments

At 31 December 2007 the company was committed to certain future electricity purchase contracts These contracts are due to be settled as follows

	2007	*2006*
	£'000	*£'000*
Not later than one year	205,660	332,934
After one year but not more than five	75,817	123,995
	281,477	456,929

(iii) Gas purchase commitments

At 31 December 2007 the company was committed to certain future gas purchase contracts These contracts are due to be settled as follows

	2007	*2006*
	£'000	*£'000*
Not later than one year	28,711	25,137
After one year but not more than five	4,446	13,264
	33,157	38,401

Notes to the financial statements

at 31 December 2007

23. Related party transactions

The company's immediate parent undertaking is Gaz de France ESS (UK) Ltd, a company registered in England and Wales Gaz de France Solutions Limited, Gaz de France Sales Limited, Gaz de France Services Limited and Gaz de France Generation Limited are all 100% owned subsidiaries of Gaz de France ESS (UK) Ltd All of these fellow subsidiary undertakings are registered in England and Wales and consolidated within the financial statements for Gaz de France ESS (UK) Ltd

The company is dependent on financial support being made available by a group company, Gaz de France International S A , to enable it to continue in operational existence and to meet its debts as they fall due Gaz de France International S A has authorised and committed sufficient guarantees and letters of support to provide the necessary banking facilities on an ongoing basis

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

Cofathec Heatsave Limited is a company registered in England and Wales and is a subsidiary of the Gaz de France group, its ultimate parent undertaking is Gaz de France

Gaz de France Britain Limited is a company registered in England and Wales and is a subsidiary of the Gaz de France group, its ultimate parent undertaking is Gaz de France

Gaselys is a company registered in France and is a Joint Venture between Gaz de France and Société Générale

2007

	Sales	*Purchases*	*Interest receivable*	*Interest payable*	*Amount owed from*	*Amount owed to*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Gaz de France S A	-	322,806	-	-	-	29,950
Gaselys S A	-	44,569	-	-	-	499
Gaz de France Britain Limited	-	-	-	-	-	-
Cofathec Heatsave Limited	289	-	-	-	19	-
Gaz de France ESS (UK) Ltd	-	-	-	1,036	-	26,834
Gaz de France Solutions Limited	-	(61)	494	-	521	-
Gaz de France Sales Limited	-	(5,482)	-	599	4,476	
Gaz de France Services Limited	-	-	-	-	-	-
Gaz de France Generation Limited	-	26,775	-	633	-	12,705

2006

	Sales	*Purchases*	*Interest receivable*	*Interest payable*	*Amount owed from*	*Amount owed to*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Gaz de France S A	6,333	257,487	-	-	-	46,728
Gaselys S A	12,212	243,105	-	-	2,690	-
Gaz de France Britain Limited	-	-	-	-	360	-
Cofathec Heatsave Limited	712	-	-	-	400	-
Gaz de France ESS (UK) Ltd	-	-	-	36	-	5,315
Gaz de France Solutions Limited	-	328	12,683	72	284,435	-
Gaz de France Sales Limited	-	(4,781)	-	13,483	-	277,863
Gaz de France Services Limited	-	-	43	-	809	-
Gaz de France Generation Limited	851	39,268	-	723	-	17,799

Notes to the financial statements

at 31 December 2007

23. Related party transactions (continued)

Terms and conditions of transactions

Sales to Gaz de France S A represent the sale of electricity generated at Shotton Combined Heat and Power Station, and are made under terms and conditions comparable with those of an arm's length transaction

Sales to Gaselys represent the sale of electricity generated at Shotton Combined Heat and Power Station, and are made under terms and conditions comparable with those of an arm's length transaction

Sales to Gaz de France Britain Limited represent the sale of corporation tax losses

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

Sales to Gaz de France Generation Limited represent the sale of gas for use in the generation of electricity by Shotton Combined Heat and Power Station, the terms and conditions are comparable with those of an arm's length transaction

Purchases from Gaz de France S A 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 Gaselys 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 Gaz de France Solutions Limited represent the recharge of overheads incurred by Gaz de France Solutions on behalf of the company All transactions are made under terms and conditions comparable with those of an arm's length transaction

Purchases from Gaz de France Sales Limited represent the recharge of overheads incurred by Gaz de France Sales on behalf of the company All transactions are made under terms and conditions comparable with those of an arm's length transaction

Purchases from Gaz de France Generation Limited represent the purchase of electricity generated by Shotton Combined Heat and Power Station, the terms and conditions are comparable with those of an arm's length transaction

The group operates a bank netting facility between its constituent companies A Letter of Comfort from Gaz de France International SA held in the name of the company's bankers provides security for this facility (note 14) Cash is transferred between the company accounts in order to ensure all bank covenants are satisfied The interest receivable and payable from the bank accounts is all transacted through Gaz de France Solutions Limited and then recharged between the constituent companies

Gaz de France International SA act as joint guarantor with Gaz de France ESS (UK) Ltd on two operating leases (note 22)

Terms and conditions of related party balances

Trading balances with related parties do not incur interest charges whilst the balance is within the standard credit terms of the selling company

Non-trading balances with related parties incur interest at the same rate as that payable by the group on the bank overdraft

Notes to the financial statements

at 31 December 2007

23. Related party transactions (continued)

Compensation of key management personnel of the company

	2007 £'000	2006 £'000
Salaries and short-term employee benefits	958	1,124
Post-employment benefits	81	66
Share-based payments	-	4
	1,039	1,194

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