

## **GDF SUEZ Marketing Limited**

(Formerly Gaz de France Marketing Limited)

### **Report and Financial Statements**

31 December 2008

FRIDAY



\*ACM15AG4\*

A25

05/06/2009

205

COMPANIES HOUSE

# GDF SUEZ Marketing Limited

---

Registered No. 4236804

## **Directors**

Mr P F G Clavel (Chairman)  
Mr M J Hirt

## **Secretary**

Mr D Park

## **Auditors**

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

## **Bankers**

Barclays Bank PLC  
50 Pall Mall  
London  
SW1A 1QF

## **Registered Office**

1 City Walk  
Leeds  
West Yorkshire  
LS11 9DX

## Directors' report

The directors present their report and the company financial statements for the year ended 31<sup>st</sup> December 2008. The company changed its name during the year from Gaz de France Marketing Limited to GDF SUEZ Marketing Limited following the merger of its ultimate parent company, Gaz de France SA, with SUEZ SA.

### Results and dividends

The results for the year ended 31<sup>st</sup> December 2008 are shown in the Income Statement on page 8. The profit for the year after taxation was £977,000 (2007: £3,751,000).

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.

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

	2008	2007	Change %
Revenue (£'000)	640,386	560,564	14
Gross profit (£'000)	6,677	11,832	(44)
Profit before tax	210	3,501	(94)
Volume sold (GWh)	8,879	10,069	(12)

The result for the year reflects the continued rationalisation of the delivering electricity portfolio. Electricity revenue has increased by 14% in 2008 compared to 2007. The increase in revenue is a consequence of higher wholesale electricity market prices in 2008 offset by a rationalisation of the delivering electricity portfolio. The volume delivered in GWh in 2008 showed a 12% decrease compared to the volume delivered in 2007.

The company's gross profit decreased to £6,677,000 (2007: £11,832,000) and profit from continuing operations before tax decreased to £210,000 (2007: £3,501,000 profit).

The company's net liabilities were £34,316,000 (2007: £35,427,000), including cash and short term deposits of £74,000 (2007: £2,246,000). However there has been a year on year improvement in the net asset position of the group headed by GDF SUEZ Energy UK Limited.

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 internal 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.

## Directors' report

### Principal risks and uncertainties facing the company (continued)

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.

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, however where appropriate the company hedges foreign exchange transactions to minimise exposure to foreign exchange movements.

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 continued throughout 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 GDF SUEZ 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 31<sup>st</sup> December 2008 were:

Mr P F G Clavel (Chairman)

Mr M J Hirt

Mr E Stab

appointed 23<sup>rd</sup> July 2008

resigned 30<sup>th</sup> September 2008

### 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 then 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.

## Directors' report

### 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.

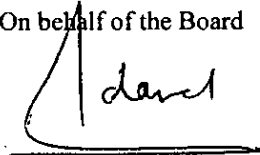
### Auditors

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

1 April 2009

## **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 GDF SUEZ Marketing Limited**

We have audited the company's financial statements (the "financial statements") for the year ended 31<sup>st</sup> December 2008 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 have been 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, consider whether it is consistent with the audited financial statements 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 GDF SUEZ Marketing Limited

## 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 31<sup>st</sup> December 2008 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

2 April 2009

## Income statement

for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
<b>Revenue</b>	2	640,386	560,564
Cost of sales		(633,709)	(548,732)
Gross profit		6,677	11,832
Administrative expenses		(7,042)	(7,014)
<b>Operating (loss) / profit</b>	3	(365)	4,818
Finance income	5	1,163	1,038
Finance cost	6	(588)	(2,355)
<b>Profit before taxation</b>		210	3,501
Tax credit	7	767	250
<b>Profit for the year attributable to equity holders of the parent company</b>	20	977	3,751

All amounts relate to continuing activities.

## Statement of recognised income and expense

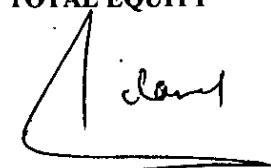
for the year ended 31 December 2008

There was no recognised income or expense attributable to the shareholders of the company other than the profit for the year ended 31 December 2008 of £977,000 (2007 – £3,751,000).

**Balance sheet**

at 31 December 2008

	Note	2008 £'000	2007 £'000
<b>Non-current assets</b>			
Property, plant and equipment	8	449	606
Intangible assets	9	2,417	2,087
Financial assets	17	61,665	14,234
Deferred tax asset	7	767	-
<b>Total non-current assets</b>		<u>65,298</u>	<u>16,927</u>
<b>Current assets</b>			
Inventories	10	5,596	3,601
Trade and other receivables	11	78,516	74,426
Financial assets	17	78,967	30,745
Cash and short term deposits	12	74	2,246
<b>Total current assets</b>		<u>163,153</u>	<u>111,018</u>
<b>Current liabilities</b>			
Trade and other payables	13	104,561	94,639
Financial liabilities	17	78,967	30,745
Provisions	15	1,922	7,173
<b>Total current liabilities</b>		<u>185,450</u>	<u>132,557</u>
<b>NET CURRENT LIABILITIES</b>		<u>(22,297)</u>	<u>(21,539)</u>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	14	14,344	14,344
Financial liabilities	17	61,665	14,234
Provisions	15	1,308	2,237
<b>Total non-current liabilities</b>		<u>77,317</u>	<u>30,815</u>
<b>NET LIABILITIES</b>		<u>(34,316)</u>	<u>(35,427)</u>
<b>Capital and reserves</b>			
Equity share capital	18	-	-
Retained losses	20	(34,316)	(35,427)
<b>TOTAL EQUITY</b>	20	<u>(34,316)</u>	<u>(35,427)</u>



P F G Clavel

Director

1 April 2009

**Cash flow statement**

for year ended 31 December 2008

	Note	2008 £'000	2007 £'000
<b>Operating activities</b>			
(Loss) / profit before taxation		210	3,501
<i>Adjustments to reconcile (loss) / profit before taxation to net cash flows from operating activities</i>			
Depreciation of property, plant and equipment		340	386
Amortisation of intangible fixed assets		343	481
Share based payments		134	-
Finance income		(1,163)	(1,038)
Finance cost		588	2,355
(Increase) in inventories		(1,995)	(1,573)
(Increase) / decrease in trade and other receivables		(2,927)	293,022
(Increase) / decrease in financial assets		(95,653)	3,139
Increase / (decrease) in trade and other payables		9,334	(278,052)
Increase / (decrease) in financial liabilities		95,653	(3,139)
(Decrease) / increase in provisions		(6,180)	6,615
<b>Cash (used in) / generated from operations</b>		<b>(1,316)</b>	<b>25,697</b>
Tax refund received		-	609
<b>Net cash flows from operating activities</b>		<b>(1,316)</b>	<b>26,306</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(183)	(92)
Purchase of intangible assets		(673)	(931)
<b>Net cash flows used in investing activities</b>		<b>(856)</b>	<b>(1,023)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(2,172)</b>	<b>25,283</b>
<b>Cash and cash equivalents at 1 January</b>		<b>2,246</b>	<b>(23,037)</b>
<b>Cash and cash equivalents at 31 December</b>	12	<b>74</b>	<b>2,246</b>

## Notes to the financial statements

at 31 December 2008

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

The financial statements of GDF SUEZ Marketing Limited (the 'Company') for the year ended 31 December 2008 were authorised for issue by the board of the directors on 1 April 2009 and the balance sheet was signed on the board's behalf by P F G Clavel. GDF SUEZ Marketing Limited (formerly known as 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 2008.

The company financial statements are presented in thousand Sterling (£000's). The accounting policies adopted are consistent with those of the previous financial year.

#### Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that the Company has adopted the IFRIC 11 IFRS 2 – Group and Treasury Shares Transactions during the year. Adoption of the revised interpretation did not have any effect on the financial statements of the company.

#### Going concern

The company is dependent on financial support being made available by a group company, GDF SUEZ International S.A., to enable it to continue in operational existence and to meet its debts as they fall due. GDF SUEZ 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 and estimates

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:

##### *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.

##### *Taxation*

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

## Notes to the financial statements

at 31 December 2008

### 2. Accounting policies (continued)

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

## Notes to the financial statements

at 31 December 2008

### 2. Accounting policies (continued)

#### 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.

#### 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.

## Notes to the financial statements

at 31 December 2008

### 2. Accounting policies (continued)

#### 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 in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

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

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

#### *Fair value hedges*

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged; the derivative is re-measured at fair value and gains and losses from both are taken to profit or loss. The group or 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 2008

### 2. Accounting policies (continued)

#### *Cash flow hedges*

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability. If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs and are transferred to the income statement or to the initial carrying amount of a non-financial asset or liability as above. If the related transaction is not expected to occur, the amount is taken to profit or loss.

#### **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.

## Notes to the financial statements

at 31 December 2008

### 2. Accounting policies (continued)

#### 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.

#### 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 over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the ultimate parent company (market conditions). No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

#### 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.

## Notes to the financial statements

at 31 December 2008

### 2. Accounting policies (continued)

#### New standards and interpretations not applied

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

International Accounting Standards (IAS / IFRSs)		Effective date*
IFRS 1	First time Adoption of International Financial Reporting Standards (Revised)	1 January 2009
IFRS 1 & IAS 27	First-time Adoption of International Financial Reporting Standards – Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)	1 January 2009
IFRS 2	Amendment to IFRS 2 – Vesting Conditions and Cancellations (Amendment)	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	1 July 2009
IAS 32 & IAS 1	Financial Instruments and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)	1 January 2009
IAS 39	Financial Instruments: Recognition and Measurement and IFRS 7 <i>Financial Instruments: Disclosures</i> – Reclassification of Financial Assets	1 July 2008
IAS 39	Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendment)	1 July 2009
	Improvements to International Financial Reporting Standards	1 January 2009

## Notes to the financial statements

at 31 December 2008

### 2. Accounting policies (continued)

#### New standards and interpretations not applied (continued)

International Financial Reporting Interpretations Committee (IFRIC)		Effective date*
<i>New interpretations</i>		
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009

\*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):

	2008	2007
	£'000	£'000
Change in fair value of financial assets	(95,653)	3,139
Change in fair value of financial liabilities	95,653	(3,139)
Depreciation of owned assets	340	386
Amortisation of intangible assets	343	481
Fees paid to auditors for the audit of the financial statements	54	54
Other fees to auditors for taxation services	45	28
Operating lease rentals - land & buildings	386	382
- others	206	196
	<u>          </u>	<u>          </u>

## Notes to the financial statements

at 31 December 2008

### 4. Directors remuneration and staff costs

	2008 £'000	2007 £'000
Wages and salaries	7,376	6,059
Social security costs	801	631
Other pension costs	203	173
Share-based payment (note 19)	134	-
	<u>8,514</u>	<u>6,863</u>

The monthly average number of employees (including directors paid by GDF SUEZ Marketing Limited) during the year was 203 (2007 - 192).

	2008 Number	2007 Number
Sales and Marketing	60	65
Administration	143	127
	<u>203</u>	<u>192</u>

Two directors were remunerated during 2008 (2007: one director) and received £369,000 (2007: £198,000) inclusive of £22,000 (2007: £33,000) company contributions paid to the parent company defined benefit pension scheme. Other group companies paid all other directors.

In 2008, the remuneration of the highest paid director is £197,000 inclusive of £22,000 company contributions paid to the parent company defined benefit pensions scheme.

### 5. Finance income

	2008 £'000	2007 £'000
Interest receivable for late payment from customers	170	132
Bank interest receivable	224	412
Inter-company loan interest	769	494
	<u>1,163</u>	<u>1,038</u>

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

### 6. Finance costs

	2008 £'000	2007 £'000
Bank loans, overdrafts and other loans repayable within 5 years	25	83
Inter-company loan interest	546	2,268
Interest payable for late payment to suppliers	17	4
	<u>588</u>	<u>2,355</u>

## Notes to the financial statements

at 31 December 2008

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

### 7. Taxation

	2008 £'000	2007 £'000
(a) Tax credit		
<b>Current income tax:</b>		
UK corporation tax on profits of the year	-	-
Adjustments in respect of previous periods	-	(250)
Total current income tax	-	(250)
<b>Deferred tax:</b>		
Deferred income tax relating to the origination and reversal of temporary differences	(767)	-
<b>Tax credit in the income statement</b>	<b>(767)</b>	<b>(250)</b>
	2008 £'000	2007 £'000
(b) Reconciliation of tax credit		
<b>Profit before tax</b>	<b>210</b>	<b>3,501</b>
Profit multiplied by standard rate of corporation tax of 28.5% (2007: 30%)	60	1,050
Adjustments in respect of prior periods	-	(250)
Tax effect of non-deductible or non-taxable items	66	13
Group relief surrendered for no payment	-	535
Utilisation of brought forward tax losses	(183)	(1,461)
Utilisation of previously unrecognised temporary differences	(120)	(137)
Recognition of previously unrecognised temporary differences	(590)	-
<b>Tax credit</b>	<b>(767)</b>	<b>(250)</b>
(c) Deferred tax		
An analysis of the movements in deferred tax is as follows:		
	2008 £'000	2007 £'000
Deferred tax asset at 1 January	-	-
Deferred tax credit in income statement for the year (note 8a)	(767)	-
Deferred tax asset at 31 December	(767)	-
Analysed as:	2008 £'000	2007 £'000
Accelerated capital allowances	(182)	-
Other short-term temporary differences	(406)	-
Unutilised tax losses carried forward	(179)	-

## Notes to the financial statements

at 31 December 2008

(767)

-

### 7. Taxation (continued)

The company had deductible temporary difference of £2,098,000 (2007 £2,675,000) and tax losses of £639,000 (2007 £1,005,000) to be carried forward indefinitely and offset against future taxable profits.

In 2007, a deferred tax asset of £1,030,000 in respect of deductible temporary differences and tax losses was not recognised due to uncertainty of future taxable profits.

### 8. Property, plant and equipment

	<i>Fixtures, fittings and office equipment £'000</i>	<i>IT equipment £'000</i>	<i>Total £'000</i>
<b>Cost</b>			
At 1 January 2008	666	1,729	2,395
Additions	-	187	187
Disposals	(4)	-	(4)
At 31 December 2008	662	1,916	2,578
<b>Accumulated depreciation</b>			
At 1 January 2008	379	1,410	1,789
Charge for the year	85	255	340
Disposals	-	-	-
At 31 December 2008	464	1,665	2,129
<b>Net book amount</b>			
At 31 December 2008	198	251	449
<b>Cost</b>			
At 1 January 2007	657	1,707	2,364
Additions	9	83	92
Disposals	-	(61)	(61)
At 31 December 2007	666	1,729	2,395
<b>Accumulated depreciation</b>			
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
<b>Net book amount</b>			
At 31 December 2007	287	319	606
At 31 December 2006	388	512	900

## Notes to the financial statements

at 31 December 2008

### 9. Intangible assets

	2008	2007
	<i>Application Software £'000</i>	<i>Application Software £'000</i>
<b>Cost</b>		
At 1 January	9,005	8,074
Additions	673	931
<b>At 31 December</b>	<b>9,678</b>	<b>9,005</b>
<b>Aggregate amortisation</b>		
At 1 January	6,918	6,437
Charge for the period	343	481
<b>At 31 December</b>	<b>7,261</b>	<b>6,918</b>
<b>Net book amount at 31 December</b>	<b>2,417</b>	<b>2,087</b>

The application software capitalised relates to several different applications developed specifically for the Retail businesses of the GDF SUEZ Energy UK 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

	2008 £'000	2007 £'000
Renewable Obligation Certificates	2,474	1,682
Levy Exempt Certificates	3,122	1,919
	<b>5,596</b>	<b>3,601</b>

### 11. Trade and other receivables

	2008 £'000	2007 £'000
Trade receivables	32,181	23,896
Other receivables	1	2,965
Amounts owed by group undertakings	323	19
Amounts owed by fellow subsidiary undertakings	52	4,997
Prepayments	484	411
Accrued income	45,475	42,138

## Notes to the financial statements

at 31 December 2008

	78,516	74,426
<b>11. Trade and other receivables (continued)</b>		
For terms and conditions relating to related party receivables, refer to note 23.		
Trade receivables are non interest bearing within terms, and are generally on 14-30 days terms.		
As at 31 December 2008, trade receivables at nominal value of £517,000 (2007: £1,208,000) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:		
	2008 £'000	2007 £'000
At 1 January	1,208	954
Charge for the year	259	254
At 31 December	1,467	1,208

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

			<i>Past due but not impaired</i>		
	<i>Total</i> £'000	<i>Neither past due nor impaired</i> £'000	<i>&lt;30 days</i> £'000	<i>30-270 days</i> £'000	<i>&gt;270 days</i> £'000
2008	32,181	10,356	20,548	1,025	252
2007	23,896	11,344	10,983	1,121	448

## 12. Cash and short-term deposits

	2008 £'000	2007 £'000
Cash at bank and in hand	74	2,246
	74	2,246

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 GDF SUEZ 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:

	2008 £'000	2007 £'000
Cash at bank and in hand	74	2,246
Bank overdraft	-	-
	74	2,246

## Notes to the financial statements

at 31 December 2008

### 13. Trade and other payables

	2008 £'000	2007 £'000
Trade payables	6,268	2,320
Amounts owed to group undertakings	37,198	30,449
Amounts owed to fellow subsidiary undertakings	28,841	25,195
Other creditors	13,174	14,282
Other taxation and social security	10,023	10,803
Accruals	9,057	11,590
	<u>104,561</u>	<u>94,639</u>

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

### 14. Interest bearing loans and borrowings

	2008 £'000	2007 £'000
<b>Non-current</b>		
Amount owed to fellow subsidiary undertaking	<u>14,344</u>	<u>14,344</u>

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 refer to note 23.

### 15. Provisions

	2008 <i>Onerous Contracts</i> £'000	2007 <i>Onerous Contracts</i> £'000
At 1 January	9,410	2,795
Arising during the year	1,205	9,372
Utilised during the year	(7,385)	(2,757)
At 31 December	<u>3,230</u>	<u>9,410</u>
Current	1,922	7,173
Non-current	1,308	2,237
	<u>3,230</u>	<u>9,410</u>

#### *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.

## Notes to the financial statements

at 31 December 2008

### 16. Financial risk management objectives and policies

The Company's principal financial instrument is 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 2008 and 2007, 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.

<i>Year ended 31 December 2008</i>	<i>Within 1 year</i>	<i>&gt; 5 years</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash and short term deposits	74	-	74
Amounts owed to fellow subsidiary undertakings	-	14,344	14,344

<i>Year ended 31 December 2007</i>	<i>Within 1 year</i>	<i>&gt; 5 years</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash and short term deposits	2,246	-	2,246
Amounts owed to fellow subsidiary undertakings	25,195	14,344	39,539

#### Interest rate risk

Only loans from fellow subsidiary undertakings 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).

	<i>Increase/decrease in base rate</i>	<i>Effect on profit before tax</i>
		<i>£'000</i>
<b>2008</b>	+0.25%	19
	-0.25%	(19)
<b>2007</b>	+0.25%	(60)
	-0.25%	60

## Notes to the financial statements

at 31 December 2008

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

#### *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.

#### *Liquidity risk*

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

The maturity profile of the financial liabilities of the Company as at 31 December 2008 and as at 31 December 2007 based on contractual undiscounted payments is as follows:

<i>Year ended 31 December 2008</i>	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	28,841	73	218	1,165	14,344	44,641
Amounts owed to group undertakings	-	37,198	-	-	-	37,198
Trade and other payables	-	38,522	-	-	-	38,522
Amounts due to customers in respect of certain supply contracts	-	13,771	65,196	61,665	-	140,632
<i>Year ended 31 December 2007</i>	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

#### *Capital Management*

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

The GDF SUEZ Energy 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 2008

### 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.

	2008 £'000	2007 £'000
<i>Financial Assets</i>		
Cash and short term deposits	74	2,246
Amounts owed by fellow subsidiary undertakings	52	4,997
Amounts owed by group undertakings	323	19
Fair value adjustment of certain wholesale purchase commitments / Amount due to customers in respect of certain supply contracts *		
- current	78,967	30,745
- non-current	61,665	14,234
<i>Financial Liabilities</i>		
Amounts owed to fellow subsidiary undertakings		
- current	28,841	25,195
- non-current	14,344	14,344
Amounts owed to group undertakings	37,198	30,449
Amounts due from customers in respect of certain supply contracts / Fair value adjustment of certain wholesale purchase commitments *		
- current	78,967	30,745
- non-current	61,665	14,234

\*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.

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

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

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

##### Cash flow hedges

The company does not enter into cash flow hedges.

## Notes to the financial statements

at 31 December 2008

### 18. Authorised and issued share capital

	2008 £'000	2007 £'000
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1	1
<i>Called up, allotted and fully paid</i>		
1 ordinary share of £1 each	-	-

### 19. Share-based payments

#### *'Shares+ for all'*

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

The expense recognised for share-based payments in respect of employee services received up to 31 December 2008 is £134,000 (2007 - nil). All of this expense arises from equity-settled share-based payment transactions.

The following table illustrates the number (No.) of shares granted in the year together with the weighted average fair value (WAFV) at the grant date;

	2008 No.	2008 WAFV	2007 No.	2007 WAFV
Free shares issued	6,060	31.97	5,670	23.53
Total shares granted in the year	6,060	31.97	5,670	23.53

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

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

The following table lists the inputs to the model used for the year ended 31 December 2008.

## Notes to the financial statements

at 31 December 2008

### 19. Share-based payments (continued)

	2008	2007
Reference price of the shares (£)	31.97	23.53
Current price of the underlying share (£)	33.64	33.64
Average expected period of non-transferability (years)	2	2
Dividend yield (%)	1.39	-
Risk free interest rate (%)	4.70	4.50

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

	<i>Equity Share Capital £'000</i>	<i>Retained Losses £'000</i>	<i>Total Equity £'000</i>
At 1 January 2007	-	(39,178)	(39,178)
Profit for the year	-	3,751	3,751
At 31 December 2007	-	(35,427)	(35,427)
Profit for the year	-	977	977
Share based payment	-	134	134
At 31 December 2008	-	(34,316)	(34,316)

### 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 £203,000 (2007 – £173,000). At 31 December 2008, contributions of £ nil (2007 £ nil) were unpaid.

## Notes to the financial statements

at 31 December 2008

### 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:

	<i>Land and building</i>		<i>Other</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Not later than one year	507	382	223	158
After one year but not more than five	2,023	1,528	512	351
After five years	1,670	2,061	302	372
	<u>4,200</u>	<u>3,971</u>	<u>1,037</u>	<u>881</u>

Land & Building commitments include three leases relating to 1 City Walk, Leeds. GDF SUEZ Energy UK Limited acts as joint guarantor with GDF International SA on 2 of these leases and GDF SUEZ Energy UK Limited acts as sole guarantor on the other lease.

#### (ii) Electricity purchase commitments

At 31 December 2008 the company was committed to certain future electricity purchase contracts. These contracts are due to be settled as follows:

	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>
Not later than one year	547,403	205,660
After one year but not more than five	336,725	75,817
	<u>884,128</u>	<u>281,477</u>

#### (iii) Gas purchase commitments

At 31 December 2008 the company was committed to certain future gas purchase contracts. These contracts are due to be settled as follows:

	<i>2008</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>
Not later than one year	19,648	28,711
After one year but not more than five	1,078	4,446
	<u>20,726</u>	<u>33,157</u>

## Notes to the financial statements

at 31 December 2008

### 23. Related party transactions

The company's immediate parent undertaking is GDF SUEZ Energy UK Limited, a company registered in England and Wales. GDF SUEZ Solutions Limited, GDF SUEZ Sales Limited, GDF SUEZ Services Limited and GDF SUEZ Shotton Limited are all 100% owned subsidiaries of GDF SUEZ Energy UK Limited. All of these fellow subsidiary undertakings are registered in England and Wales and consolidated within the financial statements for GDF SUEZ Energy UK Limited.

The company is dependent on financial support being made available by a group company, GDF SUEZ International S.A., to enable it to continue in operational existence and to meet its debts as they fall due. GDF SUEZ 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 GDF SUEZ S.A., a company registered in France. Copies of GDF SUEZ's group financial statements can be obtained from GDF SUEZ SA, 22 rue du Docteur Lancereaux, 75008 PARIS, France.

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

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

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

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

2008

	<i>Sales</i>	<i>Purchases</i>	<i>Interest receivable</i>	<i>Interest payable</i>	<i>Amount owed from</i>	<i>Amount owed to</i>
	£'000	£'000	£'000	£'000	£'000	£'000
GDF SUEZ S.A.	-	325,092	-	-	-	19,248
Gaselys S.A.	-	-	-	-	-	923
GDF SUEZ E&P UK Ltd	-	20	-	-	-	-
Cofathec Heatsave Limited	629	-	-	-	304	-
Storengy	-	(101)	-	-	19	-
GDF SUEZ Teesside Limited	-	76,293	-	-	-	17,027
GDF SUEZ Energy UK Limited	-	-	769	-	-	15,987
GDF SUEZ Solutions Limited	-	(107)	-	-	52	-
GDF SUEZ Sales Limited	-	(6,024)	-	-	-	-
GDF SUEZ Shotton Limited	-	49,079	-	546	-	27,197

2007

	<i>Sales</i>	<i>Purchases</i>	<i>Interest receivable</i>	<i>Interest payable</i>	<i>Amount owed from</i>	<i>Amount owed to</i>
	£'000	£'000	£'000	£'000	£'000	£'000
GDF SUEZ S.A.	-	322,806	-	-	-	29,950
Gaselys S.A.	-	44,569	-	-	-	499
GDF SUEZ E&P UK Ltd	-	-	-	-	-	-
Cofathec Heatsave Limited	289	-	-	-	19	-
GDF SUEZ Energy UK Limited	-	-	-	1,036	-	26,834
GDF SUEZ Solutions Limited	-	(61)	494	-	521	-
GDF SUEZ Sales Limited	-	(5,482)	-	599	4,476	-
GDF SUEZ Shotton Limited	-	26,775	-	633	-	12,705

## Notes to the financial statements

at 31 December 2008

### 23. Related party transactions (continued)

#### *Terms and conditions of transactions*

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.

Purchases from GDF Suez S.A. represent purchases of electricity for onward sale to customers. All transactions are made under terms and conditions comparable with those of an arm's length transaction.

Purchases from GDF SUEZ E&P UK Limited represent the recharge of sponsorship activities incurred on behalf of the company. All transactions are made under terms and conditions comparable with those of an arm's length transaction.

Purchases from Storengy represent the employee recharge and provision of services incurred by GDF SUEZ Marketing Limited on their behalf. All transactions are made under terms and conditions comparable with those of an arm's length transaction.

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

Purchases from GDF SUEZ Solutions Limited represent the recharge of overheads incurred by GDF SUEZ Solutions Limited on behalf of the company. All transactions are made under terms and conditions comparable with those of an arm's length transaction.

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

Purchases from GDF Suez Shotton Limited represent purchases of electricity for onward sale to customers. All transactions are made under terms and conditions 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 GDF SUEZ 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 GDF SUEZ Solutions Limited and then recharged between the constituent companies.

GDF SUEZ International SA act as joint guarantor with GDF SUEZ Energy UK Limited 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 2008

### 23. Related party transactions (continued)

*Compensation of key management personnel of the company*

	2008 £'000	2007 £'000
Salaries and short-term employee benefits	1,432	958
Post-employment benefits	73	81
Share-based payments	12	-
	<u>1,517</u>	<u>1,039</u>

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