

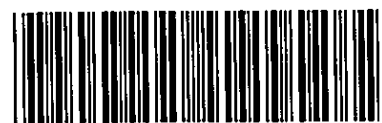
Total Gas & Power Limited

Annual report and financial statements

For the year ended 31 December 2006

Registered No 2172239

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COMPANIES HOUSE

Total Gas & Power Limited

Registered No 2172239

DIRECTORS AND ADVISORS

Directors

D Chanone
G Broggi
L Jaubert
JP Matelle
J Shead

Secretary

D Faragher

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers

HSBC Bank plc
133 Regent Street
London
WC2R 2PS

Registered Office

10 Upper Bank Street
London
E14 5BF

Total Gas & Power Limited

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 December 2006

Results and dividends

The profit after taxation amounted to £32,907,000 for the year ended 31 December 2006 (2005 – gain £36,244,000) The Directors of the company propose no dividend be paid in respect of the financial year (2005 – £nil)

Principal activities and review of the business

The activities of the company are to trade natural gas and electricity, and to sell gas and electricity supplies to industrial, commercial and public sector customers

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

| | 2006 £'000 | 2005 £'000 | Change % |
|---|---------------|---------------|-------------|
| Turnover | 9,954,862 | 7,237,499 | + 37.5% |
| Profit on ordinary activities before taxation | 48,581 | 55,507 | - 12.5% |
| Retained profit for the year | 32,907 | 36,244 | - 9.2% |
| Average number of employees | 362 | 360 | +0.6% |

Group turnover increase observed in 2006 mainly reflects the evolution of prices during the year, while all activities remained profitable

During the year, the company adopted FRS 20 – 'Share-based Payment' This requires the fair value of options and share awards to be charged to the profit and loss account over the vesting or performance period Previously, only the intrinsic value of cost of the potential awards for the long-term incentive plans was recognised as an expense The impact of implementing the standard was to reduce profit before tax by £382,000 (2005 £243,000) although shareholders' funds were materially unaffected since the charge was offset by a corresponding credit to equity

Principal risks and uncertainties

In connection with its trading and marketing activities, the company is exposed to commodity price risks and credit risks The company has implemented strict policies and procedures to manage and monitor these risks

To mitigate the corresponding exposures, the company uses various instruments on organized or over-the-counter markets In general, the transactions are settled at maturity date through physical delivery Limits on trading positions are approved by Total Group's Executive Committee and are monitored daily

Trading and financial controls are carried out separately and an integrated information system enables real-time monitoring of trading activities The company uses a "value at risk" method to measure market risks related to the prices of commodities

To increase flexibility and encourage liquidity, trading operations are performed with numerous independent operators, including other oil and gas companies, major energy producers and marketers and financial institutions Credit limits are established for each counterpart, and are monitored on a regular basis

Total Gas & Power Limited

Future developments

The directors aim to maintain the management policies which have resulted in the company's substantial growth in recent years and foresee significant further developments in the coming years

Directors and their interests

The directors who served during the year and subsequently were as follows

D Chanoine
G Broggi
L Jaubert
JP Mateille
J Shead

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

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The company communicates with its employees regularly through email, written correspondence and meetings on matters of concern to them as employees. An intranet system which holds information about the activities of the company is accessible by all employees. Employees are encouraged to participate directly in the success of the business through the company's share incentive plan.

Disclosure of information to the auditors

As far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and the directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

Pursuant to an elective resolution to dispense with the requirement to hold Annual General Meetings, the company is not obliged to reappoint its auditors annually and Ernst & Young LLP will therefore continue in office.

By order of the board,



D Faragher
Secretary

Date 7th August 2007

Total Gas & Power Limited

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 law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

Total Gas & Power Limited

INDEPENDENT AUDITORS' REPORT

To the members of Total Gas & Power Limited

We have audited the company's financial statements for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 whether 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 is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with 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.

Total Gas & Power Limited

INDEPENDENT AUDITORS' REPORT (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 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

London

Date 7 August 2007

Total Gas & Power Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2006

| | Notes | 2006 £'000 | 2005 £'000 <i>Restated</i> |
|--|-------|----------------------|----------------------------------|
| Turnover | 2 | 9,954,862 | 7,237,499 |
| Cost of sales | | <u>(9,618,140)</u> | <u>(6,948,025)</u> |
| Gross profit | | 336,722 | 289,474 |
| Distribution costs | | (242,744) | (199,991) |
| Gain on foreign currency transactions | | 1,971 | 4,597 |
| Administrative expenses | | (53,445) | (43,758) |
| Other operating income | | <u>7,232</u> | <u>4,181</u> |
| Operating profit | 3 | 49,736 | 54,503 |
| Investment income | 14 | 2 | - |
| Interest receivable | 6 | 4,936 | 4,128 |
| Interest payable | 7 | (5,999) | (3,011) |
| Other finance expense | 21 | <u>(94)</u> | <u>(113)</u> |
| Profit on ordinary activities before taxation | | 48,581 | 55,507 |
| Tax on profit on ordinary activities | 8 | <u>(15,674)</u> | <u>(19,263)</u> |
| Retained profit for the year | 18 | <u><u>32,907</u></u> | <u><u>36,244</u></u> |

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES

For the year ended 31 December 2006

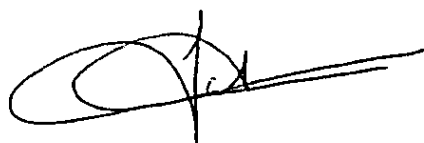
| | Notes | 2006 £'000 | 2005 £'000 <i>Restated</i> |
|--|-------|----------------------|----------------------------------|
| Profit for the year | | 32,907 | 36,244 |
| Actuarial gain / (loss) | 21 | 8,870 | (5,525) |
| Movement in deferred tax relating to pension scheme | 8 | (2,661) | 835 |
| Current tax on pension scheme | | - | 822 |
| Total recognised gains and losses relating to the year | | <u>39,116</u> | <u>32,376</u> |
| Prior Year Adjustment – change in accounting policy | | - | (4,895) |
| Total recognised gains and losses since last annual accounts | | <u><u>39,116</u></u> | <u><u>27,481</u></u> |

Total Gas & Power Limited

BALANCE SHEET

at 31 December 2006

| | Notes | 2006 £'000 | 2005 £'000 <i>Restated</i> |
|--|-------|------------------|----------------------------------|
| Fixed assets | | | |
| Intangible assets | 9 | - | 2,414 |
| Tangible assets | 10 | 6,999 | 15 |
| Capital work in progress | 11 | - | 6,691 |
| | | <u>6,999</u> | <u>9,120</u> |
| Current assets | | | |
| Stock | 12 | 298,142 | 177,292 |
| Debtors | 13 | 1,457,970 | 1,569,919 |
| Investments | 14 | 103 | - |
| Cash at bank and in hand | | <u>17,450</u> | <u>12,380</u> |
| | | <u>1,773,665</u> | <u>1,759,591</u> |
| Creditors' amounts falling due within one year | 15 | (1,586,510) | (1,605,838) |
| Net current assets | | <u>187,155</u> | <u>153,753</u> |
| Net assets excluding pension surplus / (deficit) | | <u>194,154</u> | <u>162,873</u> |
| Creditors: amounts falling due after more than one year | | | |
| Defined benefit pension surplus / (deficit) | 21 | 1,797 | (6,420) |
| | | <u>195,951</u> | <u>156,453</u> |
| Capital and reserves | | | |
| Called up equity share capital | 16 | 145,800 | 145,800 |
| Share-based payment reserve | 19 | 687 | 305 |
| Profit and loss account | 18 | 49,464 | 10,348 |
| Equity shareholder's funds | 17 | <u>195,951</u> | <u>156,453</u> |



L Jaubert
Director

Date 7th August, 2007



D Chanoine
Director

Total Gas & Power Limited

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of preparation & changes in accounting policy

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. In preparing the financial statements for the current year the company has adopted the UK accounting standard FRS 20 – Share-based Payment.

The adoption of FRS 20 has resulted in a change in accounting policy and a prior year adjustment as disclosed in note 18. The effect of the change in accounting policy was to decrease brought forward profit and loss reserves at 1 January 2006 by £305,000 and to decrease the retained profit after tax of the previous year by £243,000.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

| | | |
|---|---|----------------------------|
| Lease premium on short leasehold property | - | Up to the next rent review |
| Office equipment | - | 4 years |
| Computer equipment | - | Up to 4 years |

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Intangible assets are amortised on a straight line basis over their estimated useful lives of up to 5 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Pension costs

For the defined benefit scheme, operating costs of providing pensions together with any related finance costs are recognised in the Profit and Loss account in the period in which they are earned. Actuarial gains and losses are recognised in the Statement of Total Recognised Gains and Losses.

For the defined contribution scheme, contributions during the year are charged to the Profit and Loss account as an operating expense.

Share-based payment

In preparing the financial statements the Company has adopted FRS 20 - Share-based Payment. The adoption of FRS 20 has resulted in a change in accounting policy for share-based payment transactions relating to restricted stock grants and options granted to Company staff for shares in Total SA. FRS 20 requires the fair value of options and share awards which ultimately vest to be charged to the profit and loss account over the vesting period or performance period. The options granted are equity settled transactions, the fair value of which is determined at the date of grant using the Black Scholes method. The expense is allocated on a straight line basis between grant date and vesting date.

Total Gas & Power Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2006

1 Accounting policies (continued)

Operating leases

Rentals payable by the company under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease

Cash flow statement

In accordance with paragraph 5 (a) of FRS1 (Revised) the company has not prepared a cash flow statement because it is a wholly owned subsidiary of a company whose consolidated financial statements include the company and are publicly available

Taxation

Corporation tax is provided on taxable profits at the current rate

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

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

Stock

Stock consists of gas held in storage and is stated at the lower of cost and net realisable value. Cost is calculated using the FIFO or weighted average methods. Net realisable value is based on market value or contracted sales price if available less costs incurred in making the necessary sale. Unused emissions allowances are shown as stock and are recorded at lower of cost and net realisable value

Cost of sales

Cost of sales includes the net result of trading contracts settled at dates prior to delivery

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are included in the profit and loss account

Total Gas & Power Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2006

2. Turnover

Turnover comprises the amounts derived from the provision of goods and services which fall within the company's ordinary activities, and is stated net of VAT. All turnover arises from continuing activities and is attributable to the income from physical delivery of gas and electricity.

| Turnover by geographical area of destination | 2006 | 2005 |
|--|------------------|------------------|
| | £'000 | £'000 |
| UK | 6,027,958 | 4,466,781 |
| Rest of Europe | 3,830,954 | 2,730,949 |
| Rest of World | 95,950 | 39,769 |
| | <u>9,954,862</u> | <u>7,237,499</u> |

3. Operating profit

| Operating profit is stated after charging | 2006 | 2005 |
|--|-------|--------|
| | £'000 | £'000 |
| Depreciation of owned assets (note 10) | 1,177 | 569 |
| Amortisation of goodwill (note 9) | 2,414 | 3,620 |
| Operating lease rentals | 1,493 | 39,973 |
| Auditors' remuneration – audit of the financial statements | 380 | 160 |

The auditors' remuneration of £380,000 (2005 - £160,000) includes amounts pertaining to other group companies, being Total Midstream Holdings UK Limited £5,000 (2005 - £5,000), Chanter Petroleum Limited £5,000 (2005 - £5,000), Total Gas & Power Services Limited £10,000 (2005 - £10,000) and Total Gas Contracts Limited £1,000 (2005 - £1,000).

4. Directors' remuneration

| | 2006 | 2005 |
|---|-------------|-------------|
| | £'000 | £'000 |
| Emoluments | 2,554 | 2,022 |
| Amounts paid to UK pension scheme | 23 | 22 |
| | <u>2006</u> | <u>2005</u> |
| | No | No |
| Members of UK defined benefit pension schemes | 1 | 1 |

Of the emoluments £1,258,000 (2005 - £804,000) pertains to consideration paid to group companies for making available the services of directors.

The aggregate emoluments of the highest paid director were £1,412,000 (2005 - £952,000). This director was not a member of the UK pension scheme.

Total Gas & Power Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2006

5 Employee costs

| | 2006 | 2005 |
|-------------------------------|---------------|-----------------|
| | £'000 | £'000 |
| | | <i>Restated</i> |
| Wages and salaries | 18,957 | 14,836 |
| Social security costs | 2,405 | 1,448 |
| Share-based payments | 625 | 464 |
| Other pension costs (note 21) | 2,446 | 1,394 |
| | <u>24,433</u> | <u>18,142</u> |

Other pension costs includes £235,000 (2005 - £150,000) of contribution by the company to the defined contribution section of the pension plan

Share-based payments include £382,000 (2005 - £243,000) of equity settled transactions

The average number of employees during the year was 362 (2005 - 360)

6. Interest receivable

| | 2006 | 2005 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Bank interest receivable | 568 | 200 |
| Interest received from group companies | 2,340 | 1,273 |
| Interest received from third parties | 2,028 | 2,655 |
| | <u>4,936</u> | <u>4,128</u> |

7. Interest payable

| | 2006 | 2005 |
|-------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Bank loans and overdrafts | 419 | 15 |
| Interest payable to group companies | 4,355 | 2,218 |
| Other loans | 1,225 | 778 |
| | <u>5,999</u> | <u>3,011</u> |

8. Taxation

| | 2006 | 2005 |
|--|---------------|---------------|
| | £'000 | £'000 |
| a) Tax on profit on ordinary activities. | | |
| <i>UK Corporation tax</i> | | |
| Current tax on income for the period | 13,620 | 17,172 |
| Current tax adjustments in respect of prior periods | 236 | 1,327 |
| Total current tax charge | <u>13,856</u> | <u>18,499</u> |
| Deferred tax origination of timing differences | 1,808 | 658 |
| Deferred tax adjustments in respect of prior periods | 10 | 106 |
| Tax charge on profit on ordinary activities | <u>15,674</u> | <u>19,263</u> |

Total Gas & Power Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2006

8. Taxation (continued)

b) Factors affecting the tax charge for the current period.

The current tax charge is lower than the standard rate of corporation tax in the UK of 30% (2005 30%)
The differences are reconciled below

| | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before tax | 48,581 | 55,507 |
| Current tax at 30% (2005 30%) | 14,574 | 16,652 |
| Effects of | | |
| Expenses not deductible for tax purposes | (120) | 1,179 |
| Depreciation for period in excess of / (less than) capital allowances | (422) | (716) |
| Timing of deductions | (412) | 57 |
| Adjustments to tax charge in respect of previous periods | 236 | 1,327 |
| Total current tax charge | 13,856 | 18,499 |

c) Factors that may affect future tax charges.

The Finance Bill 2007 amends the rate of Corporation Tax from 30% to 28% with effect from the financial year 2008. The effect of this change is not material.

d) Deferred Tax

| The deferred tax charge / (credit) comprises | 2006 £'000 | 2005 £'000 |
|--|---------------|---------------|
| Capital allowances | 422 | 715 |
| Short term timing differences | 1386 | (57) |
| Adjustment in respect of prior years | 10 | 106 |
| | 1,818 | 764 |

The movement in the deferred tax asset comprises

| | Short term timing differences £'000 | Capital Allowances £'000 | Pension £'000 | Total £'000 |
|--|--|--------------------------------|------------------|----------------|
| Deferred tax asset at 31 December 2005 | 976 | 947 | 2,751 | 4,674 |
| Amount charged to Profit & Loss | (526) | (432) | (860) | (1,818) |
| Amount charged to STRGL | - | - | (2,661) | (2,661) |
| Deferred tax asset at 31 December 2006 | 450 | 515 | (770) | 195 |

Total Gas & Power Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2006

9. Intangible fixed assets

| | | £'000 |
|-----------------------|--|----------|
| Cost | At 1 January 2006 and 31 December 2006 | 12,672 |
| Amortisation | At 1 January 2006 | (10,258) |
| | Charged in the year | (2,414) |
| | At 31 December 2006 | (12,672) |
| Net book value | At 31 December 2006 | - |
| | At 31 December 2005 | 2,414 |

The intangible assets represent the fair value of the customer portfolios acquired

10. Tangible fixed assets

| | Short leasehold property £'000 | Office equipment £'000 | Computer equipment £'000 | Total £'000 |
|---------------------------|--------------------------------------|------------------------------|--------------------------------|----------------|
| Cost | | | | |
| At 1 January 2006 | 950 | 497 | 17,770 | 19,217 |
| Additions | 25 | 17 | 225 | 267 |
| Transfer from Capital WIP | 5,114 | 609 | 2,171 | 7,894 |
| Disposals | (614) | (164) | (4,210) | (4,988) |
| At 31 December 2006 | 5,475 | 959 | 15,956 | 22,390 |
| Depreciation | | | | |
| At 1 January 2006 | 950 | 495 | 17,757 | 19,202 |
| Charge for the year | 502 | 142 | 533 | 1,177 |
| Disposals | (614) | (164) | (4,210) | (4,988) |
| At 31 December 2006 | 838 | 473 | 14,080 | 15,391 |
| Net book value | | | | |
| At 31 December 2006 | 4,637 | 486 | 1,876 | 6,999 |
| At 31 December 2005 | - | 2 | 13 | 15 |

Total Gas & Power Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2006

11. Capital work in progress

| | 2006 | 2005 |
|--|---------|--------|
| | £ '000 | £ '000 |
| At beginning of year | 6,691 | - |
| Additions | 1,203 | 6,691 |
| Transferred to tangible fixed assets (note 10) | (7,894) | - |
| At end of year | - | 6,691 |

The company moved to a new headquarters in February 2006. Capital work in progress represents costs of the fit out and furnishing of the new offices including building works, furniture and IT equipment.

12. Stock

| | 2006 | 2005 |
|---------------------|---------|---------|
| | £ '000 | £ '000 |
| Gas held in storage | 293,769 | 172,389 |
| Other stocks | 4,373 | 4,903 |
| | 298,142 | 177,292 |

13. Debtors

| | 2006 | 2005 |
|---------------------------------------|-----------|-----------|
| | £ '000 | £ '000 |
| Trade debtors | 175,991 | 244,926 |
| Owed by group companies - Trade | 221,339 | 208,046 |
| Owed by group companies - Financing | 16,795 | - |
| Deferred tax asset, excluding pension | 965 | 1,923 |
| Other taxation | 2,034 | 11,990 |
| Prepayments and accrued income | 1,040,846 | 1,103,034 |
| | 1,457,970 | 1,569,919 |

Prepayments and accrued income primarily represents current month sales that are invoiced in the month following delivery.

Total Gas & Power Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2006

14. Investments

During the year the company received equity shares in a third party listed entity, with a value of £103,000 in lieu of cash for the settlement of a debt. Dividends of £2,000 were received during the year from this investment. The company intends to dispose of these shares during the next year. The market value of the listed investment at 31 December 2006 is £120,000 (2005 - £nil)

15. Creditors: amounts falling due within one year

| | 2006 | 2005 |
|-------------------------------------|------------------|------------------|
| | £ '000 | £ '000 |
| Bank overdrafts | 2,662 | 125 |
| Trade creditors | 94,989 | 47,183 |
| Owed to parent company | 80 | 58,485 |
| Owed to group companies - Trade | 435,328 | 348,403 |
| Owed to group companies - Financing | - | 76,785 |
| Corporation tax | 12,370 | 5,605 |
| Other taxation and social security | 3,532 | 403 |
| Accruals and deferred income | 1,037,550 | 1,068,849 |
| | <u>1,586,511</u> | <u>1,605,838</u> |

Accruals and deferred income represents primarily the value of current month purchases that are invoiced in the month following delivery.

The company has not provided any guarantee or security in respect of the overdrafts.

16. Equity share capital

| | 2006 | 2005 |
|--|----------------|----------------|
| | £ '000 | £ '000 |
| <i>Authorised.</i> | | |
| Ordinary shares of £1 each | 145,800 | 145,800 |
| Preference share 1 share of £1 | - | - |
| | <u>145,800</u> | <u>145,800</u> |
| <i>Issued, called up and fully paid.</i> | | |
| Ordinary shares of £1 each | 145,800 | 145,800 |
| Preference share 1 share of £1 | - | - |
| | <u>145,800</u> | <u>145,800</u> |

Total Gas & Power Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2006

17. Reconciliation of movements in equity shareholder's funds

| | 2006 £'000 | 2005 £'000 <i>Restated</i> |
|---|----------------|----------------------------------|
| Profit for the financial year | 32,907 | 36,244 |
| Actuarial gain / (loss) on Pension scheme, net of tax (note 21) | 6,209 | (3,868) |
| Share based payment reserve (note 19) | 382 | 243 |
| Opening shareholder's funds | 156,453 | 123,834 |
| Closing shareholder's funds | <u>195,951</u> | <u>156,453</u> |

18. Reserves

| | <i>Profit and loss account As previously reported £'000</i> | <i>Profit and loss account Prior Year Adjustment £'000</i> | <i>Profit and loss account £'000</i> |
|--|---|--|--|
| At 31 December 2004 and 1 January 2005 | (21,966) | (62) | (22,028) |
| Actuarial gain for the year ended 31 December 2005 | (5,525) | - | (5,525) |
| Tax effect on pension scheme | 1,657 | - | 1,657 |
| Profit for the year ended 31 December 2005 | 36,487 | (243) | 36,244 |
| At 31 December 2005 and 1 January 2006 | <u>10,653</u> | <u>(305)</u> | <u>10,348</u> |
| Actuarial gain for the year ended 31 December 2006 | | | 8,870 |
| Tax effect on pension scheme | | | (2,661) |
| Profit for the year ended 31 December 2006 | | | 32,907 |
| At 31 December 2006 | | | <u>49,464</u> |

The prior year adjustment relates to the adoption of FRS 20 – Share-based Payment

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2006

19. Share-based payment reserve

| | 2006 | 2005 |
|---------------------------------|------------|-----------------|
| | £'000 | £'000 |
| | | <i>Restated</i> |
| At beginning of year (restated) | 305 | 62 |
| Movement during the year | 382 | 243 |
| At end of year | <u>687</u> | <u>305</u> |

During the year the company adopted a new accounting standard FRS 20 – Share-based Payment, which requires the fair value of options and share awards to be charged to the profit and loss account over the vesting or performance period. Previously, only the intrinsic value of cost of the potential awards for the long-term incentive plans was recognised as an expense. The impact of implementing the standard was to reduce profit before tax by £382,000 (2005 £243,000).

20. Financial commitments

- (a) The company engages in trading and marketing contracts in relation to gas and electricity in the normal course of business, which are contracted to be settled at varying future dates. The nominal value of trading contracts at 31 December 2006 is £6,113m (2005 £5,890m). The net fair value of forward commitments at 31 December 2006 is +£154m (2005 +£54m).
- (b) Annual commitments under non-cancellable operating leases are as follows

| <i>Lease expiring</i> | <i>Nature of cost</i> | 2006 | 2005 |
|---------------------------|-----------------------------|--------------|--------------|
| | | £'000 | £'000 |
| Within one year | Motor vehicle contract hire | 68 | 45 |
| Between two to five years | Motor vehicle contract hire | 80 | 113 |
| After five years | Short leasehold property | 1,347 | 1,347 |
| | | <u>1,495</u> | <u>1,505</u> |

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2006

21. Pension commitments

The Midstream section of the Total UK Pension Plan is a defined benefit plan, which requires contributions to be made to a separately administered fund. The final salary section of the Plan is closed to new entrants. It should therefore be noted that under the projected unit cost method that is required under FRS17 the current service cost will increase as the members of the final salary section approach retirement.

During the year the company contributed 17.7% of pensionable pay into the scheme plus an additional deficit payment of £4m. From 1st January 2007 the company's contributions will increase to 22.4% of pensionable pay.

The latest actuarial valuation of the Midstream section of the Plan took place on 1 July 2005.

The principle assumptions used by the independent qualified actuaries in updating the latest valuations, as shown below, for FRS17 purposes were:

| a) Main Financial Assumptions | <i>31 December 2006 (% p a)</i> | <i>31 December 2005 (% p a)</i> | <i>31 December 2004 (% p a)</i> |
|---|---|---|---|
| Inflation | 2.75 | 2.75 | 2.50 |
| Rate of general long-term increases in salaries | 4.25 | 4.25 | 4.00 |
| Rate of increase to pensions in payment | 2.75/3.25 | 2.75/3.50 | 2.50/3.50 |
| Discount rate for scheme liabilities | 5.00 | 4.75 | 5.25 |

b) Expected return on Plan assets

Long term rate of return expected at (% p a) and Value at (£'000)

| | <i>31 December 2006</i> | | <i>31 December 2005</i> | | <i>31 December 2004</i> | |
|------------------------------|-------------------------|---------------|-------------------------|---------------|-------------------------|--------------|
| | <i>% p a</i> | <i>£'000</i> | <i>% p a</i> | <i>£'000</i> | <i>% p a</i> | <i>£'000</i> |
| Equities | 8.25 | 11,187 | 8.00 | 8,229 | 8.25 | 5,742 |
| Property | 7.25 | 1,780 | 7.00 | 933 | 7.25 | 282 |
| Government Bonds | 4.50 | 8,136 | 4.00 | 4,454 | 4.75 | 2,636 |
| Corporate Bonds | 5.00 | 1,017 | 4.75 | 523 | 5.25 | 376 |
| Other | 4.50 | 3,305 | 4.25 | 1,130 | 4.75 | 376 |
| Total market value of assets | | <u>25,425</u> | | <u>15,269</u> | | <u>9,412</u> |

Total Gas & Power Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2006

21 Pension commitments (continued)

| c) Reconciliation to Balance Sheet | <i>Value at 31 December 2006 £'000</i> | <i>Value at 31 December 2005 £'000</i> | <i>Value at 31 December 2004 £'000</i> |
|---|--|--|--|
| Total market value of assets | 25,426 | 15,269 | 9,412 |
| Present value of scheme liabilities | (22,859) | (24,440) | (15,800) |
| Surplus / (Deficit) in scheme | 2,567 | (9,171) | (6,388) |
| Related deferred tax (liability) / asset | (770) | 2,751 | 1,916 |
| Net pension asset / (liability) | 1,797 | (6,420) | (4,472) |
| d) Analysis of amount charged to operating profit | <i>31 December 2006 £'000</i> | <i>31 December 2005 £'000</i> | |
| Current service cost | 2,211 | 1,244 | |
| Past service costs | - | - | |
| Total operating charge | 2,211 | 1,244 | |
| e) Analysis of amount credited / (debited) to other financial income | <i>31 December 2006 £'000</i> | <i>31 December 2005 £'000</i> | |
| Expected return on pension scheme assets | 1,055 | 708 | |
| Interest on pension scheme liabilities | (1,149) | (821) | |
| Other finance expense | (94) | (113) | |
| f) Analysis of amount recognised in Statement of Total Recognised Gains and Losses | <i>31 December 2006 £'000</i> | <i>31 December 2005 £'000</i> | |
| Actual return less expected return on pension scheme assets | 3,947 | 1,078 | |
| Experience gains and losses arising on the scheme liabilities | 3,001 | (1,468) | |
| Changes in the assumptions underlying the present value of the scheme liabilities | 1,922 | (5,135) | |
| Actuarial gain / (loss) recognised in the STRGL | 8,870 | (5,525) | |

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2006

21 Pension commitments (continued)

| g) Analysis of movement in surplus during the year | | 31 December 2006 £'000 | 31 December 2005 £'000 |
|--|--|------------------------------|------------------------------|
| Deficit in scheme at beginning of year | | (9,171) | (6,388) |
| Current service cost | | (2,211) | (1,244) |
| Contributions | | 5,173 | 4,099 |
| Past service costs | | - | - |
| Other finance expense | | (94) | (113) |
| Actuarial gain / (loss) | | 8,870 | (5,525) |
| Surplus / (deficit) in scheme at end of year | | <u>2,567</u> | <u>(9,171)</u> |

| h) History of experience gains and losses | Year ending 31 December 2006 £'000 | Year ending 31 December 2005 £'000 | Year ending 31 December 2004 £'000 | Year ending 31 December 2003 £'000 | Year ending 31 December 2002 £'000 |
|--|---|---|---|---|---|
| | | | | | |
| | | | | | |
| Difference between expected and actual return on scheme assets | | | | | |
| Amount (£'000) | 3,947 | 1,078 | 765 | (481) | (3,898) |
| Percentage of scheme assets | 15.5% | 7.1% | 8.1% | (8.7%) | (86%) |
| Experience gains (losses) on scheme liabilities | | | | | |
| Amount (£'000) | 3,001 | (1,468) | 1,009 | (1,140) | (667) |
| Percentage of the present value of the scheme liabilities | 13.1% | (6.0%) | 6.4% | (7.8%) | (5.7%) |
| Total amount recognised in STRGL | | | | | |
| Amount (£'000) | 8,870 | (5,525) | 1,690 | (2,048) | (1,787) |
| Percentage of the present value of the scheme liabilities | 38.8% | (22.6%) | 10.7% | (13.9%) | (15.2%) |

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NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2006

22. FRS 20 – Share-based Payment

Stock options, restricted share grants and the cash settled share plan concern only shares of Total SA. All plans are approved by the Board of Directors of Total SA, based upon recommendations by the Compensation Committee. For each stock options and restricted share grants plan, the committee establishes a list of beneficiaries from the Company and the number of options or restricted shares granted to each beneficiary. The board of directors of Total SA then gives final approval for this list.

Stock options have a term of eight years, with an exercise price set at the average of the opening share prices during the last 20 trading days prior to the grant date, without any discount being applied. For the option plans established after 2002, options may only be exercised after an initial two-year period and the shares issued upon exercise may not be transferred prior to the termination of an additional two-year holding period.

Restricted share grants become final after a two-year vesting period, subject to certain pre-defined conditions, set by the Total SA board acting upon recommendations from the Compensation Committee, relating to the return on equity of the Group in the fiscal year preceding the year of final attribution. At the end of this vesting period, and subject to these performance conditions, the restricted share grants become final. However, these shares may not be transferred prior to the end of an additional two-year holding period.

The options granted are equity settled transactions, the fair value of which is determined at the date of grant using the Black Scholes method. The expense is allocated on a 24-month straight line basis between grant date and vesting date.

The grant of these options or restricted shares is used to complement, based upon individual performance assessments at the time of each plan, the Group-wide policy of developing employee shareholding and allows employees to be more closely associated with the financial and share price performance of TOTAL.

The main assumptions used to calculate the fair value per unit of these plans are:

| <i>For the year ended 31 December</i> | <i>2006</i> | <i>2005</i> | <i>2004</i> |
|---|-------------|-------------|-------------|
| Risk free interest rate (%) | 4.1 | 2.9 | 3.8 |
| Expected dividends (%) | 4.2 | 3.7 | 3.0 |
| Expected volatility (%) | 29.3 | 23.2 | 22.0 |
| Vesting period (years) | 2.0 | 2.0 | 2.0 |
| Exercise period (years) | 8.0 | 8.0 | 8.0 |
| Weighted average fair value of the granted options (£ per option) | 7.6 | 6.7 | 5.2 |

The expected volatility is based on the implied volatility of Total share options and of share indices options traded on the markets.

The following table gives a breakdown of stock options and restricted shares awarded for the plans in effect during 2006.

| | <i>Number of units</i> | <i>Value per unit £</i> | <i>Value of plan £ '000</i> | <i>Cost of plans in each year</i> | | |
|------------------------|----------------------------|-----------------------------|---------------------------------|-----------------------------------|------------------------|------------------------|
| | | | | <i>2006 £ '000</i> | <i>2005 £ '000</i> | <i>2004 £ '000</i> |
| Restricted shares 2006 | 7,928 | 31.2 | 247 | 52 | - | - |
| Stock options 2006 | 9,660 | 7.6 | 73 | 15 | - | - |
| Restricted shares 2005 | 8,104 | 32.9 | 267 | 133 | 55 | - |
| Stock options 2005 | 28,248 | 6.7 | 190 | 95 | 40 | - |
| Stock options 2004 | 56,820 | 5.2 | 297 | 87 | 148 | 62 |
| | <u>110,760</u> | | <u>1,074</u> | <u>382</u> | <u>243</u> | <u>62</u> |

Total Gas & Power Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 December 2006

22 FRS 20 – Share-based Payment (continued)

All employees of the company are invited to join the Share Incentive Plan, a cash settled share plan. Under the plan employees contribute monthly to purchase shares in Total SA, with the company contributing two matching shares for each share the employee buys. Company contributed shares have a vesting period of 3 years while the employee remains employed by the group. No liability under this plan exists at the balance sheet date (2005 - £nil).

Full disclosure in respect of employees' stock options and restricted share grants are disclosed in the consolidated financial statements of Total SA.

23. Related parties

During the year the company paid in the ordinary course of its business, amounts to the following related parties who are associated undertakings of fellow subsidiaries of Total SA.

| | | <i>Profit and Loss account</i> | | <i>Balance Outstanding at end of year</i> | |
|-------------------------------|----------------|--------------------------------|--------------|---|--------------|
| | | <i>2006</i> | <i>2005</i> | <i>2006</i> | <i>2005</i> |
| | | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Humber Power Limited | - Tolling fees | - | 39,973 | - | - |
| Nigeria LNG Limited | - Purchases | 39,632 | 12,608 | - | - |
| CEPSA Gas Comercializadora SA | - Sales | 88,783 | 2,260 | 3,925 | 2,260 |
| | - Purchases | 17,673 | 10,146 | - | - |
| CFMH | - Purchases | - | 206 | - | - |
| Gas de Litoral | - Sales | 42,427 | - | 14,922 | - |
| Hazira LNG Private Ltd | - Sales | 23,350 | 8,714 | 12,503 | - |

The company has taken advantage of the exemption in paragraph 3(c) of FRS8 from disclosing transactions with related parties that are part of the Total SA group.

24. Ultimate parent company

The company's ultimate parent undertaking is Total SA, a company registered in France. This is the largest and smallest group for which group financial statements are prepared. Copies of the financial statements of Total SA can be obtained from 2, Place de la Coupole, La Defense 6, 92400 Courbevoie, France.