Registered No 2706333

Gaz de France ESS (UK) Ltd

Report and Group Financial Statements

31 December 2007

Registered No 2706333

Directors
Mr P F G Clavel (Chairman)
Mr J C Depail
Mr E Stab
Mr T Le Quenven
Mr O Lecointe
Mdme F A Dufresnoy
Mr B L J Fauchet
Mr P J Maymard

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
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LS11 9DX

Directors' report

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

Results and dividends

The results for the year ended 31st December 2007 are shown in the Income Statement on page 8 The profit for the year after taxation was £11,897,000 (2006 £3,039,000)

The directors do not recommend the payment of a dividend

Principal activities, review of the business and future developments

The principal activities of the group are the generation, purchase, supply and management of natural gas and electricity to industrial and commercial customers

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

	2007	*2006*	*Change %*
Revenue (£'000)	1,167,650	1,337,027	(12 7)
Gross profit (£'000)	35,147	27,149	29 5
Profit before tax	13,800	2,463	460 3
Electricity Volume sold (GWh)	10,646	11,285	(5 7)
Gas Volume sold (GWh)	38,627	36,442	6 0

The result for the year reflects the group's investment in the growth of the business In terms of therms delivered gas sales have increased by 6% in 2007 compared to 2006 and reflect the growth plans implemented over the past few years However this offset by the overall decrease in wholesale market gas prices has lead to gas revenues decreasing by 13% year on year Electricity revenue has decreased by 13% in 2007 compared to 2006 The decrease in revenue is a consequence of lower wholesale electricity market prices in 2007 and a rationalisation of the delivering electricity portfolio The volume delivered in GWh in 2007 showed a 6% decrease compared to the volume delivered in 2006

Further to the growth in profitability, the group made significant progress on cost control, despite the problems posed by the continuing volatility of the UK energy markets

The group's gross profit increased by 29% to £35,147,000 (2006 £27,149,000)

The delivering portfolios of both gas and electricity customers remain strong and provide a firm foundation for the forthcoming year The group's net assets stood at £35,282,000 (2006 £23,385,000) Net current assets were £12,002,000 (2006 £667,000) including cash and short term deposits of £10,322,000 (2006 £39,699,000) Based on the results achieved this year and the continued support of the parent company, the directors are confident that the future prospects of the group remain good

Principal risks and uncertainties facing the company

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

Exposure to energy price risk is minimised by restricting quotation validity to limited underlying market price movements and by fixing together forward electricity sales and the associated forward gas purchases at the point of contract acceptance Gas and electricity forward contracts are used to fix the price of future physical flows and thus provide greater certainty on future revenues and costs

Directors' report

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

There is a comprehensive budgeting system in place with an annual budget approved by the Board Management information systems provide the executive management team and directors with relevant and timely reports that identify significant deviations from approved plans and include regular re-forecasts for the year, in order to facilitate timely analysis and appropriate decisions and actions

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

There is a Gaz de France group instruction manual setting out policies and procedures with which the group is required to comply The Management Team are responsible for ensuring that the UK group 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 December 2007 were

Mr P F G Clavel (Chairman)	appointed 18th September 2007
Mr J C Depail	resigned as Chairman 18th September 2007, remains as director
Mr E Stab	
Mr L Renat	resigned 18th September 2007
Mr B Brelle	resigned 18th September 2007
Mr J P Roncato	resigned 18th September 2007
Mr M B Haestier	resigned 21st December 2007
Mr T Le Quenven	
Mr X Perret	resigned 21st December 2007
Mr O Lecointe	
Mr B L J Fauchet	appointed 18th September 2007
Mdme F A Dufresnoy	appointed 21st December 2007
Mr P J Maymard	appointed 21st December 2007

Supplier payment policy

The group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that

Directors' report

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

Employees

The group 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 group This is achieved through both formal and informal meetings, together with a regular newsletter and information on the group intranet The Employee Works Council met regularly during the year

Environmental Policy

The group is committed to reducing its impact on the environment As part of this commitment the group 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

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

Director' statement as to disclosure of information to the auditors

As at the date of this report, as far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken such steps as he should have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

On behalf of the Board

P F G Clavel

Director

2 April 2008

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union

The directors are required to prepare financial statements for each financial year which present fairly the financial position of the company and of the group and the financial performance and cash flows of the company and of the group 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 and the group's financial position and financial performance, and
- state that the company and the group have 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 of the group 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 of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report

to the members of Gaz de France ESS (UK) Ltd

We have audited the group and parent company financial statements (the "financial statements") of Gaz de France ESS (UK) Ltd for the year ended 31st December 2007 which comprise the Group Income Statement, the Group and Parent Company Statement of Recognised Income and Expense, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements and the related notes 1 to 27 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 are responsible for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as set out in the Statement of Directors' Responsibilities

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

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

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions 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 group's and company's circumstances, consistently applied and adequately disclosed

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

Independent auditors' report

to the members of Gaz de France ESS (UK) Ltd

Opinion

In our opinion

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

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Leeds

3 April 2008

Group income statement

for the year ended 31 December 2007

	Note	2007 £'000	2006 £'000
Revenue	2	1,167,650	1,337,027
Cost of sales		(1,132,503)	(1,309,878)
Gross profit		35,147	27,149
Administrative expenses		(22,369)	(24,033)
Operating profit	3	12,778	3,116
Finance income	6	1,962	781
Finance cost	7	(940)	(1,434)
Profit before taxation		13,800	2,463
Tax (charge)/ credit	8	(1,903)	576
Profit for the year attributable to equity holders of the parent company	25	11,897	3,039

All amounts relate to continuing activities

Group statement of recognised income and expense

for the year ended 31 December 2007

There was no recognised income or expense attributable to the shareholders of the group other than the profit for the year ended 31 December 2007 of £11,897,000 (2006 - £3,039,000)

Company statement of recognised income and expense

for the year ended 31 December 2007

There was no recognised income or expense attributable to the shareholders of the company other than the profit for the year ended 31 December 2007 of £4,023,000 (2006 – £3,436,000)

Group and company balance sheets

at 31 December 2007

		Group		Company	
	Note	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Non-current assets					
Property, plant and equipment	10	28,874	31,506	-	-
Intangible assets	12	6,464	6,014	-	-
Investments in subsidiaries	11	-	-	3,566	3,566
Financial assets	22	15,743	8,839	42,745	42,745
Total non-current assets		51,081	46,359	46,311	46,311
Current assets					
Inventories	14	4,055	2,857	-	-
Trade and other receivables	15	174,835	187,659	22,326	70,104
Financial assets	22	49,740	58,514	12,100	-
Current tax asset	16	-	1	-	-
Cash and short term deposits	17	10,322	39,699	-	-
Total current assets		238,952	288,730	34,426	70,104
Current liabilities					
Trade and other payables	18	173,921	182,054	3,397	1
Current tax liability	16	1,385	-	903	-
Financial liabilities	19	44,471	103,214	6,700	44,700
Provisions	20	7,173	2,795	-	-
Total current liabilities		226,950	288,063	11,000	44,701
NET CURRENT ASSETS		12,002	667	23,426	25,403
Non-current liabilities					
Financial liabilities	19	23,843	22,939	8,100	14,100
Provisions	20	2,900	702	-	-
Deferred tax liability	8	982	-	-	-
Defined benefit pension scheme liability	5	76	-	-	-
Total non-current liabilities		27,801	23,641	8,100	14,100
NET ASSETS		35,282	23,385	61,637	57,614
Capital and reserves					
Equity share capital	24	51,901	51,901	51,901	51,901
Retained (losses) / earnings	25	(16,619)	(28,516)	9,736	5,713
TOTAL EQUITY	25	35,282	23,385	61,637	57,614

P F G Clavel
Director
2 April 2008

Cash flow statements

for the year ended 31 December 2007

		Group		Company	
		2007	2006	2007	2006
	Note	£'000	£'000	£'000	£'000
Operating activities					
Profit before taxation		13,800	2,463	4,926	3,436
Adjustments to reconcile profit before taxation to net cash flows from operating activities					
Depreciation of property, plant and equipment		3781	3,595	-	-
Amortisation of intangible fixed assets		481	1,146	-	-
Share-based payments		-	20	-	-
Gain on disposal of property, plant and equipment		-	(15)	-	-
Finance income		(1,962)	(781)	(7,315)	(4,578)
Finance cost		940	1,434	2,389	1,141
Increase in inventories		(1,198)	(2,028)	-	-
Decrease in trade and other receivables		14,426	27,923	55,092	10,716
Decrease / (increase) in financial assets		1,870	(30,266)	(12,100)	(4,639)
(Decrease) / increase in trade and other payables		(8,967)	(10,652)	1,008	(2,126)
(Decrease) increase in financial liabilities		(13,970)	25,627	-	-
Increase / (decrease) in provisions		6,615	(3,113)	-	-
Cash generated from operations		15,816	15,353	44,000	3,950
Tax refund received		825	216	-	-
Net cash flows from operating activities		16,641	15,569	44,000	3,950
Cash flows from investing activities					
Proceeds from the sale of property, plant and equipment		-	15	-	-
Purchase of property, plant and equipment and intangible assets		(2,149)	(2,869)	-	-
Net cash flows used in investing activities		(2,149)	(2,854)	-	-
Cash flows from financing activities					
Proceeds from borrowings		-	38,000	-	-
Repayment of borrowings		(44,000)	(41,950)	(44,000)	(3,950)
Net cash flows used in financing activities		(44,000)	(3,950)	(44,000)	(3,950)
Net (decrease) / increase in cash and cash equivalents		**(29,508)**	**8,765**	-	-
Cash and cash equivalents at 1 January		**39,699**	**30,934**	-	-
Cash and cash equivalents at 31 December	**17**	**10,191**	**39,699**	-	-

Notes to the financial statements

at 31 December 2007

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

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

The group's and 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 group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) The company's financial statements have been prepared in accordance with IFRSs 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 group and by the company are set out in note 2

The company has taken advantage of the exemption provided under section 230 of the Companies Act 1985 not to publish its individual income statement and related notes

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 31st December 2007

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

Change in accounting policies

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

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

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

IFRS 7 *Financial Instruments Disclosures*

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

IAS 1 *Presentation of Financial Statements*

This amendment requires the group and the company to make new disclosures to enable users of the financial statements to evaluate the group and the company's objectives, policies and processes for managing capital These new disclosures are shown in note 21

Going concern

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

Notes to the financial statements

at 31 December 2007

2. Accounting policies (continued)

Basis of consolidation

The Group financial statements consolidate the financial statements of Gaz de France ESS (UK) Ltd and the entities it controls (its subsidiaries) drawn up to 31 December each year

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct or indirect ownership of voting rights, currently exercisable or convertible potential voting rights, or by way of contractual agreement The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies All intragroup balances and transactions, including unrealised profits arising from them, are eliminated

Significant accounting judgements and estimates

In the process of applying the group'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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below

Impairment of Goodwill

The group determines whether goodwill is impaired on at least an annual basis This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated Estimating the value in use requires the group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows More details are given in Note 13

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

Leasehold property and improvements	-	over the shorter of the period of the lease and the estimated remaining life of the Power Plant (21 years)
Plant & machinery	-	over the shorter of the individual asset life and the estimated remaining life of the Power Plant (3 – 21 years)
Fixtures, fittings and office equipment	-	3 years
IT equipment	-	3 years to 5 years
Motor vehicles	-	5 years
Dismantling liability	-	over the shorter of the period of the lease and the estimated remaining life of the Power Plant (21 years)

Notes to the financial statements

at 31 December 2007

2. Accounting policies (continued)

Goodwill

Business combinations on or after 1 January 2004 are accounted for under IFRS 3 using the purchase method Any excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is not amortised To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the income statement Goodwill recognised as an asset as at 31 December 2003 is recorded at its carrying amount under UK GAAP and is not amortised Any goodwill asset arising on the acquisition of equity accounted entities is included within the cost of those entities

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by management, usually at business segment level or statutory company level as the case may be Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it Goodwill arising on acquisitions prior to 31 December 1997 remains set off directly against reserves even if the related investment becomes impaired or the business is disposed of

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 group 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 asset 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 and before being brought into use

Impairment of assets

The group 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 group 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

Notes to the financial statements

at 31 December 2007

2. Accounting policies (continued)

Impairment of assets (continued)

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

Investments

Fixed asset investments in subsidiaries are included in the financial statements at cost, less provision for impairment The carrying values of fixed assets are reviewed for impairment in the periods when events or changes in circumstances indicate that the carrying value may not be recoverable An impairment loss is provided for in the current period income statement when the carrying value of the assets exceeds their estimated recoverable amount The estimated recoverable amount is defined as the higher of the net realisable value and the value in use The value in use is determined by reference to estimated future discounted cash flows

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 group and the company determine 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 group or 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

Notes to the financial statements

at 31 December 2007

2. Accounting policies (continued)

Impairment of financial assets

The group and 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 statement, 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 group 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 group or 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

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

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks 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

Notes to the financial statements

at 31 December 2007

2. Accounting policies (continued)

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

Certain companies within the group enter into wholesale purchase commitments to satisfy demand forecasts associated with its supply contracts The movements in fair value of some of these commitments qualify as derivative financial instruments due to the terms and conditions attached to the related supply contracts Such derivative financial instruments are initially recognised at fair value on the date on which such a wholesale purchase commitment is entered into and are subsequently remeasured at fair value at each reporting date For each such event, the related supply contract acts as a natural hedge to the wholesale purchase commitment Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative

For those derivatives designated as hedges and for which hedge accounting is used, the hedging relationship is documented at its inception This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration Such hedges are expected at inception to be highly effective

For the purpose of hedge accounting, hedges are classified as fair value hedges as they are hedging the exposure to changes in the fair value of a recognised asset or liability

Fair value hedges

For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to profit or loss The 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

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,
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future, 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

Notes to the financial statements

at 31 December 2007

2. Accounting policies (continued)

Income Taxes (continued)

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 group 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 group expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain The expense relating to any provision is presented in the income statement net of any reimbursement Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost

Revenue recognition

Sale of goods

Revenue represents amounts receivable for goods provided in the normal course of business excluding discounts, VAT and other sales related taxes Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyer, usually on supply of energy to the customer

Services

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group, the revenue can be reliably measured and the risks and rewards of the supply has passed to the buyer

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

Notes to the financial statements

at 31 December 2007

2. Accounting policies (continued)

Pension costs

The group operates two pension plans, a defined benefit pension plan and a defined contribution scheme

The defined benefit pension plan requires contributions to be paid into a separately administered fund The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method Actuarial gains and losses are recognised in the period in which they arise

The defined benefit liability in the balance sheet comprises the present value of the defined benefit obligation less the past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly The value of a net pension benefit asset is restricted to the sum of any past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan

The group has applied the option in IAS 19 to recognise actuarial gains and losses in full in the statement of recognised gain and losses in period in which they occur

The cost of defined benefit pension plans is determined using actuarial valuations The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases Due to the long term nature of the plans, such estimates are subject to significant uncertainty The net employee liability at 31 December 2007 is £76,000 (2006 nil) Further details are given in note 5

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

Share-based payments

Equity settled transactions

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

Exceptional Items

The group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance

New standards and interpretations not applied

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

International Accounting Standards (IAS / IFRSs)		Effective date*
IFRS 2	Amendment to IFRS 2 – Vesting Conditions and Cancellations	1 January 2009
IFRS 3	Business Combinations (revised January 2008)	1 July 2009
IFRS 8	Operating Segments	1 January 2009
IAS 1	Presentation of Financial Statements (revised September 2007)	1 January 2009
IAS 23	Borrowing Costs (revised March 2007)	1 January 2009
IAS 27	Consolidated & Separate Financial Statements (revised January 2008)	1 July 2009

Notes to the financial statements

at 31 December 2007

2. Accounting policies (continued)

New standards and interpretations not applied (continued)

International Financial Reporting Interpretations Committee (IFRIC)

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

*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 group and the company's results or net assets, it is likely to result in certain changes in the presentation of the group and 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 group and the company's financial statements, other than additional disclosures, in the period of initial application

Revenue

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

3. Operating profit

The group operating profit is stated after charging

	2007	*2006*
	£'000	*£'000*
Change in fair value of financial assets	13,970	(26,633)
Change in fair value of financial liabilities	(13,970)	26,633
Depreciation of owned assets	3,781	3,595
Amortisation of intangible assets	481	1,416
Net foreign exchange differences	1	17
Gain on disposal of property, plant and equipment	-	15
Fees paid to auditors for the audit of the financial statements	144	117
Other fees to auditors for taxation services	73	132
Operating lease rentals - property	547	513
- others	205	129

Notes to the financial statements

at 31 December 2007

4. Directors remuneration and staff costs

	2007	*2006*
	£'000	*£'000*
Wages and salaries	7,395	5,516
Social security costs	770	591
Defined benefit pension costs (note 5)	92	-
Other pension costs	194	169
	8,451	6,276

The monthly average number of employees (including directors) during the year was 217 (2006 - 173)

	2007	*2006*
	Number	*Number*
Sales and Marketing	65	54
Administration	129	119
Operational	31	-
	225	173

Directors emoluments and highest paid director	2007	2006
	£'000	*£'000*
Emoluments	198	185
Company contribution paid to defined contribution scheme	-	-
Company contribution paid to parent company defined benefit pension scheme	33	21

	2007	*2006*
	Number	*Number*
Members of defined contribution scheme	-	-
Members of parent company pension scheme	1	1

Notes to the financial statements

at 31 December 2007

5. Pensions

On 1 January 2007 30 staff were transferred to the group from Cofathec Heatsave Limited, including 5 staff who were members of the Shotton Retirement Benefit Scheme ('Scheme') Due to the transfer, the group became the principal employer for this scheme The scheme is a final salary pension plan

The Scheme is a defined benefit scheme, providing benefits at retirement and on death-in-service to employees The scheme is based on years of service and final pensionable salary The scheme is closed to new entrants and the age profile of active members will increase over time

The following tables summarise the components of net benefit expense recognised in the income statement, and the funded status and amounts recognised in the balance sheet for the scheme

Net expense (recognised in administrative expenses)

	2007 *£'000*	*2006* *£'000*
Current service cost	16	-
Scheme liability recognised on plans transferred to the company during the year	76	
Net expense	92	-
Actual return on plan assets	3	-

Defined benefit pension plan deficit

	2007 *£'000*	*2006* *£'000*
Present value of scheme liability	(170)	-
Fair value of scheme assets	94	-
Defined benefit pension plan deficit	(76)	-

Defined benefit pension obligation

Changes in the present value of the defined benefit pension obligation are as follows

	2007 *£'000*	*2006* *£'000*
Defined benefit pension obligation at 1 January	-	-
Opening obligation of pension plans transferred in the year	154	
Current service cost	16	-
Defined benefit pension obligation at 31 December	170	-

Notes to the financial statements

at 31 December 2007

5. Pensions (continued)

Fair value of plan assets

Changes in the fair value of plan assets are as follows

	2007 £'000	2006 £'000
Fair value of plan assets at 1 January	-	-
Opening assets of pension plans transferred in the year	71	-
Expected return	7	-
Contributions by employer	16	-
Fair value of plan assets at 31 December	94	-

The group expects to contribute £32,000 to its defined benefit pension plan in 2008

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows

	2007 %	2006 %
Equities & Property	89 4	-
Bonds	9 6	-
Other	1 0	-

The overall expected rate of return on assets is determined based on market expectations prevailing on the balance sheet date, applicable to the period over which the obligation is to be settled

The principal assumptions used in determining pension benefit obligations for the group plan are shown below

	2007 %	2006 %
Discount rate	5 8	-
Retail price inflation	3 2	-
Expected rate of return on assets	7 3	-
Salary increase rate	5 2	-
Pension increase (Limited Price Indexation) – LPI maximum	3 2	-
Deferred pension revaluation	3 2	-

The group operates two defined contribution pension schemes, the assets of which are held separately from those of the group Employer's contributions to the schemes during the year were £196,000 (2006 – £169,000) At 31 December 2007, contributions of £nil (2006 – £26,000) were unpaid

6. Finance Income

	2007 £'000	2006 £'000
Interest receivable for late payment from customers	303	129
Bank interest receivable	784	652
On deposits with group undertakings	875	-
	1,962	781

Notes to the financial statements

at 31 December 2007

7. Finance cost

	2007 £'000	2006 £'000
Bank loans, overdrafts and other loans repayable within 5 years	106	251
On loans from group undertakings	764	1,156
Unwinding of discount on provision (note 20)	30	27
Interest payable for late payment	40	-
	940	1,434

8. Taxation

(a) Tax charge/ (credit)

	2007 £'000	2006 £'000
Current income tax:		
UK corporation tax on profits of the year	1,471	-
Group relief recoverable	(550)	(360)
Adjustments in respect of previous periods	-	(216)
Total current income tax	921	(576)
Deferred tax:		
Deferred income tax relating to the origination and reversal of temporary differences	982	-
Tax charge/ (credit) in the income statement	1,903	(576)

(b) Reconciliation of tax charge/ (credit)

	2007 £'000	2006 £'000
Profit before tax	13,800	2,463
Profit multiplied by standard rate of corporation tax of 30%	4,140	739
Adjustments in respect of prior periods	(550)	(216)
Tax effect of non-deductible or non-taxable items	459	610
Transfers to unrecognised tax assets	84	42
Utilisation of brought forward tax losses	(1,766)	(128)
Utilisation of previously unrecognised temporary differences	(394)	(1,623)
Reduction in deferred tax resulting from reduction in tax rate	(70)	-
Tax charge/ (credit)	1,903	(576)

Notes to the financial statements

at 31 December 2007

8. Taxation (continued)

(c) Deferred tax

An analysis of the movements in deferred tax is as follows

	2007 *£'000*	2006 *£'000*
Deferred tax liability at 1 January	-	-
Deferred tax charge in income statement for the year (note 8a)	982	-
Deferred tax liability at 31 December	982	-

Analysed as

	2007 £'000	2006 £'000
Accelerated capital allowances	1,103	-
Other short-term temporary differences	(121)	-
	982	-

(d) Unrecognised temporary differences and tax losses

The group has deductible temporary differences of £5,289,000 (2006 £8,894,000) and tax losses of £1,005,000 (2006 £6,931,000) to be carried forward indefinitely and offset against future taxable profits

A net deferred tax asset of £1,762,000 (2006 £4,748,000) in respect of deductible temporary differences and tax losses has not been recognised due to uncertainty of future taxable profits

(e) Change in corporate tax rate

The UK Corporation tax rate will decrease from 30% to 28% from 1 April 2008 The deferred tax balance has been adjusted in the current year to reflect this change

9. Profit attributable to members of the parent company

The profit for the financial year dealt with in the financial statements of the parent company was £4,023,000 (2006 £3,436,000) As permitted by section 230 of the Companies Act 1985, no separate income statement is presented in respect of the parent company

Notes to the financial statements

at 31 December 2007

10. Property, plant and equipment

Group	*Leasehold Property & Improvements*	*Plant & Machinery*	*Fixtures, fittings & office equipment*	*IT equipment*	*Motor vehicles*	*Total*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Cost						
At 1 Jan 2007	1,216	35,513	1,723	1,755	35	40,242
Additions	25	1,078	9	106	-	1,218
Disposals	-	-	(387)	(61)	-	(448)
Movement in discount rate (note 20)	-	(69)	-	-	-	(69)
At 31 Dec 2007	1,241	36,522	1,345	1,800	35	40,943
Accumulated depreciation						
At 1 Jan 2007	93	6,079	1,328	1,218	18	8,736
Charge for the year	53	3,306	116	296	10	3,781
Disposals	-	-	(387)	(61)	-	(448)
At 31 Dec 2007	146	9,385	1,057	1,453	28	12,069
Net book amount						
At 31 Dec 2007	1,095	27,137	288	347	7	28,874

Group	*Leasehold Property & Improvements*	*Plant & Machinery*	*Fixtures, fittings & office equipment*	*IT equipment*	*Motor vehicles*	*Total*
Cost						
At 1 Jan 2006	1,216	34,214	1,740	1,528	35	38,733
Additions	-	1,299	28	255	-	1,582
Disposals	-	-	(45)	(28)	-	(73)
At 31 Dec 2006	1,216	35,513	1,723	1,755	35	40,242
Accumulated depreciation						
At 1 Jan 2006	40	2,833	1,228	1,105	8	5,214
Charge for the year	53	3,246	145	141	10	3,595
Disposals	-	-	(45)	(28)	-	(73)
At 31 Dec 2006	93	6,079	1,328	1,218	18	8,736
Net book amount						
At 31 Dec 2006	1,123	29,434	395	537	17	31,506
At 31 Dec 2005	1,176	31,381	512	423	27	33,519

Company

The company has no property, plant and equipment

Notes to the financial statements

at 31 December 2007

11. Investments in subsidiaries

Company

Shares in subsidiary undertakings	*Total*
	£'000
Cost	
At 1 January 2007/31 December 2007	3,566

The company's subsidiary undertakings at 31 December 2007 are listed below

Held directly	*Country of incorporation*	*Class of shares held*	*Proportion held by the company*
Gaz de France Solutions Limited [1]	England and Wales	Ordinary	100%
Gaz de France Sales Limited [1]	England and Wales	Ordinary	100%
Gaz de France Marketing Limited [1]	England and Wales	Ordinary	100%
Gaz de France Services Limited [2]	England and Wales	Ordinary	100%
Gaz de France Generation Limited [3]	England and Wales	Ordinary	100%

(1) The principal activities of the subsidiaries are the purchase, supply and management of natural gas and electricity to industrial and commercial customers

(2) The subsidiary is now dormant

(3) The principal activity of the subsidiary is the generation of electricity

12. Intangible assets

Group	*Application Software*	*Goodwill*	*Total*
	£'000	*£'000*	*£'000*
Cost			
At 1 January 2007	8,074	4,377	12,451
Additions	931	-	931
At 31 December 2007	9,005	4,377	13,382
Aggregate Amortisation			
At 1 January 2007	6,437	-	6,437
Charge for the year	481	-	481
At 31 December 2007	6,918	-	6,918
Net Book Amount			
At 31 December 2007	2,087	4,377	6,464

Notes to the financial statements

at 31 December 2007

12. Intangible assets (continued)

Group	*Application Software* *£'000*	*Goodwill* *£'000*	*Total* *£'000*
Cost			
At 1 January 2006	6,786	4,377	11,163
Additions	1,288	-	1,288
At 31 December 2006	8,074	4,377	12,451
Aggregate Amortisation			
At 1 January 2006	5,291	-	5,291
Charge for the year	1,146	-	1,146
At 31 December 2006	6,437	-	6,437
Net Book Amount			
At 31 December 2006	1,637	4,377	6,014
At 31 December 2005	1,495	4,377	5,872

Goodwill is subject to an annual impairment review

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

Company

The company has no intangible assets

13. Impairment testing of goodwill with an indefinite life

Goodwill acquired through business combinations has been allocated to the Retail Supply Business cash-generating unit for impairment testing The recoverable amount of the Retail Supply Unit has been determined based upon a value in use calculation To calculate this, cash flow projections are based on financial budgets approved by senior management covering a 5 year period together with extrapolated cash flow projections for a further 10 years

The Directors feel that a period of greater than 5 years is justified when calculating the value in use as the Retail Supply Business is in the start up phase of its life cycle A growth rate of 1 8% has been used to extrapolate the cash flow projections beyond the period covered by the approved budgets, and a discount rate of 12 04% has been applied to the cash flows

Notes to the financial statements

at 31 December 2007

14. Inventories

	2007 £'000	2006 £'000
Fuel Oil	453	629
Levy Exempt Certificates and Renewable Obligation Certificates	3,602	2,228
	4,055	2,857

15. Trade and other receivables

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade receivables	60,326	57,781	-	-
Other receivables	8,697	10,334	-	-
Amounts owed by group undertakings	4,958	5,952	132	1
Amounts owed by subsidiary undertakings	-	-	22,194	70,103
Prepayments	956	1,117	-	-
Accrued Income	99,854	112,280	-	-
Other taxes and social security	44	195	-	-
	174,835	187,659	22,326	70,104

For terms and conditions relating to related party receivables, refer to Note 27

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

As at 31 December 2007, trade receivables with a nominal value of £4,711,000 (2006 £3,425,000) were impaired and fully provided for Movements in the provision for impairment of receivables were as follows

	2007 £'000	2006 £'000
At 1 January	3,425	1,568
Charge for the year	1,286	1,857
At 31 December	4,711	3,425

Notes to the financial statements

at 31 December 2007

15. Trade and other receivables (continued)

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

			Past due but not impaired		
	Total	*Neither past due nor impaired*	*<30 days*	*30-270 days*	*>270 days*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*
2007	60,326	34,927	18,711	5,072	1,616
2006	57,781	30,000	22,521	4,008	1,252

16. Current tax assets

	Group		*Company*	
	2007	*2006*	*2007*	*2006*
	£'000	*£'000*	*£'000*	*£'000*
Corporation tax – liability	(1,385)	-	(903)	-
Corporation tax – asset	-	1	-	-
	(1,385)	1	(903)	-

17. Cash and short-term deposits

	Group		*Company*	
	2007	*2006*	*2007*	*2006*
	£'000	*£'000*	*£'000*	*£'000*
Cash at bank and in hand	3,322	17,199	-	-
Short-term deposits	7,000	22,500	-	-
	10,322	39,699	-	-

Cash at bank earns interest at floating rates based on daily bank deposit rates Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the group, and earn interest at the respective short-term deposit rates

The group operates a netting banking facility between its constituent companies A Letter of Comfort from Gaz de France International SA and a debenture and cash cover held in the name of the company's bankers provides security for this facility

For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 31 December

	2007	*2006*
	£'000	*£'000*
Cash at bank and in hand	3,322	17,199
Short-term deposits	7,000	22,500
Bank overdraft (note 19)	(131)	-
	10,191	39,699

Notes to the financial statements

at 31 December 2007

18. Trade and other payables

	Group		*Company*	
	2007	*2006*	*2007*	*2006*
	£'000	*£'000*	*£'000*	*£'000*
Trade payables	6,075	5,188	-	-
Amounts owed to group undertakings	80,242	113,578	-	-
Amounts owed to fellow subsidiary undertakings	-	-	3,379	1
Other creditors	15,147	15,038	-	-
Other taxation and social security	26,868	28,565	-	-
Accruals	45,589	19,685	18	-
	173,921	182,054	3,397	1

19. Financial liabilities

	Group		*Company*	
	2007	*2006*	*2007*	*2006*
	£'000	*£'000*	*£'000*	*£'000*
Current				
Gaz de France intercompany borrowing facility	-	38,000	-	38,000
Amounts owed to parent undertaking	6,700	6,700	6,700	6,700
Amounts due to customers in respect of certain supply contracts	37,640	58,514	-	-
Bank overdraft	131	-	-	-
	44,471	103,214	6,700	44,700
Non-current				
Amounts owed to parent undertaking	8,100	14,100	8,100	14,100
Amounts due to customers in respect of certain supply contracts	15,743	8,839	-	-
	23,843	22,939	8,100	14,100

(a) The bank loans and overdrafts are guaranteed by a Letter of Comfort from Gaz de France International SA The interest rate charged on the short term borrowings is Bank of England Base Rate + 1%

(b) The Gaz de France intercompany borrowing facility is a facility provided by the ultimate parent company The interest rate charged on these borrowings is SONIA (Sterling Overnight Index Average) + 0 08%

(c) The amounts owed to parent undertaking represent a loan from Gaz de France repayable over 4 years to 2009 The interest rate charged on these borrowings is 3 month LIBOR + 0 35%

Please refer to note 21 for further details of amounts due to customers in respect of certain supply contracts

Notes to the financial statements

at 31 December 2007

20. Provisions

Group	*2007 Onerous Contracts £'000*	*2007 Dismantling £'000*	*2007 Total £'000*	*2006 Onerous Contracts £'000*	*2006 Dismantling £'000*	*2006 Total £'000*
At 1 January	2,795	702	3,497	5,908	675	6,583
Arising during the year	9,410	30	9,440	2,795	27	2,822
Movement in discount rate	-	(69)	(69)	-	-	-
Utilised	(2,795)	-	(2,795)	(5,908)	-	(5,908)
At 31 December	9,410	663	10,073	2,795	702	3,497
Current	7,173	-	7,173	2,795	-	2,795
Non-current	2,237	663	2,900	-	702	702
	9,410	663	10,073	2,795	702	3,497

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 cost of electricity

Dismantling provision

The Power Plant is situated on land leased under a 99-year ground lease expiring in June 2098 The group is required within the terms of this lease to reinstate the premises to the state that existed at the commencement of the lease Provision has been made for the net present value of the estimated cost of dismantling and decommissioning the power plant at the end of its useful economic life

Notes to the financial statements

at 31 December 2007

21. Financial risk management objectives and policies

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

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

It is, and has been throughout 2007 and 2006, the group'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 group'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 group and company's financial instruments that are exposed to interest rate risk

Group

Year ended 31 December 2007	Within 1 year £'000	1 to 2 years £'000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	>5 years £'000	Total £'000
Cash and short term deposits	10,322	-	-	-	-	-	10,322
Gaz de France intercompany deposit facility	12,100	-	-	-	-	-	12,100
Loan from parent undertaking	6,700	6,700	1,400	-	-	-	14,800
Gaz de France intercompany borrowing facility	-	-	-	-	-	-	-
Bank overdraft	131	-	-	-	-	-	131

Year ended 31 December 2006	Within 1 year £'000	1 to 2 years £ 000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	>5 years £'000	Total £'000
Cash and short term deposits	36,699	-	-	-	-	-	36,699
Gaz de France intercompany deposit facility	-	-	-	-	-	-	-
Loan from parent undertaking	6,700	6,700	6,700	700	-	-	20,800
Gaz de France intercompany borrowing facility	38,000	-	-	-	-	-	38,000
Bank overdraft	-	-	-	-	-	-	-

Notes to the financial statements

at 31 December 2007

21. Financial risk management objectives and policies (continued)

Company

Year ended 31 December 2007	Within 1 year £'000	1 to 2 years £'000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	>5 years £'000	Total £'000
Gaz de France intercompany deposit facility	12,100	-	-	-	-	-	12,100
Amount owed by subsidiary undertaking	22,194	4,639	-	-	-	38,106	64,939
Amount owed to subsidiary undertaking	3,379	-	-	-	-	-	3,379
Loan from parent undertaking	6,700	6,700	1,400	-	-	-	14,800
Gaz de France intercompany borrowing facility	-	-	-	-	-	-	-

Year ended 31 December 2006	Within 1 year £'000	1 to 2 years £'000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	> 5 years £'000	Total £'000
Gaz de France intercompany deposit facility	-	-	-	-	-	-	-
Amount owed by subsidiary undertakings	70,103	4,639	-	-	-	38,106	112,848
Amount owed to subsidiary undertakings	1	-	-	-	-	-	1
Loan from parent undertaking	6,700	6,700	6,700	700	-	-	20,800
Gaz de France intercompany borrowing facility	38,000	-	-	-	-	-	38,000

Interest rate risk

Amounts owed to/from the Gaz de France intercompany cash pooling facility, amounts owed to/from fellow subsidiaries and amounts owed to the parent undertaking all bear interest at floating rates Floating rate interest on financial instruments varies according to the underlying reference rate

The other financial assets and financial liabilities of the group and 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 group's profit before tax (through the impact on floating rate borrowings)

	Increase/decrease in base rate	*Effect on profit before tax £'000*
2007	+0 25%	46
	-0 25%	(46)
2006	+0 25%	(40)
	-0 25%	40

Notes to the financial statements

at 31 December 2007

21. Financial risk management objectives and policies (continued)

Foreign currency risk

The group and the company has no significant foreign currency risk as very few transactions are carried out in currency other than Sterling

Credit risk

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

With respect to credit risk arising from the other financial assets of the group or the company, which comprise cash and short term deposits 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 Gaz de France cash pooling facility, coupled with a £20m overdraft facility, minimise the risk of a shortage of funds

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

Group

Year ended 31 December 2007	On Demand £'000	Less than 3 months £'000	3-12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Gaz de France intercompany borrowing facility	-	-	-	-	-	-
Amounts owed to group undertakings	-	80,242	-	-	-	80,242
Loan from parent undertaking	-	1,919	5,570	8,477	-	15,966
Trade and other payables	-	93,679	-	-	-	93,679
Fair value adjustment of certain wholesale purchase commitments	-	8,382	29,258	15,743	-	53,383

Year ended 31 December 2006	On Demand £'000	Less than 3 months £'000	3-12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Gaz de France intercompany borrowing facility	38,000	-	-	-	-	38,000
Amounts owed to group undertakings	-	113,578	-	-	-	113,578
Loan from parent undertaking	-	1,969	5,766	15,042	-	22,777
Trade and other payables	-	68,476	-	-	-	68,476
Amounts due to customers in respect of certain supply contracts	-	29,179	29,335	8,839	-	67,353

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at 31 December 2007

21. Financial risk management objectives and policies (continued)

Company

Year ended 31 December 2007	On Demand £'000	Less than 3 months £'000	3-12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Gaz de France intercompany borrowing facility	-	-	-	-	-	-
Amounts owed to fellow subsidiaries	3,379	-	-	-	-	3,379
Loan from parent undertaking	-	1,919	5,570	8,477	-	15,966

Year ended 31 December 2006	On Demand £'000	Less than 3 months £'000	3-12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Gaz de France intercompany borrowing facility	38,000	-	-	-	-	38,000
Amounts owed to fellow subsidiaries	1	-	-	-	-	1
Loan from parent undertaking	-	1,969	5,766	15,042	-	22,777

Capital Management

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

The Group monitors capital using return on capital employed (ROCE), which is operating profit divided by net assets

	2007 *£'000*	*2006* *£'000*
Operating profit	12,778	3,116
Net Assets	35,282	23,385
ROCE	**36.2%**	**13.3%**

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at 31 December 2007

22. Financial instruments

Fair values

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

	Group		*Company*	
	2007 *£'000*	*2006* *£'000*	*2007* *£'000*	*2006* *£'000*
Financial Assets				
Cash and short term deposits	10,322	39,699	-	-
Gaz de France intercompany deposit facility	12,100	-	12,100	-
Amounts owed by group undertakings	4,958	5,952	132	1
Amounts owed by subsidiary undertakings				
- current	-	-	22,194	70,103
- non-current	-	-	42,745	42,745
Amounts due from customers in respect of certain supply contracts/ Fair value adjustment of certain wholesale purchase commitments*				
- current	37,640	58,514	-	-
- non-current	15,743	8,839	-	-
Financial Liabilities				
Fair value adjustment of certain wholesale purchase commitments/ Amounts due to customers in respect of certain supply contracts*				
- current	37,640	58,514	-	-
- non-current	15,743	8,839	-	-
Gaz de France intercompany borrowing facility	-	38,000	-	38,000
Bank overdrafts	106	-	-	-
Amounts owed to fellow subsidiary undertakings	-	-	3,379	1
Amounts owed to group undertakings	80,242	113,578	-	-
Amounts owed to parent undertaking	14,800	20,800	14,800	20,800

*see note on fair value hedges below

Fair value hedges

Certain companies within the group enter into wholesale purchase commitments to cover future contracted supplies, subject to market liquidity, availability of products and compliance with risk policies and limits set down by management

Prior to 31 December 2007, those companies had entered into wholesale purchase commitments for future delivery under certain supply contracts where the contract permits the customer to sell back the purchases made prior to delivery The net purchase commitments related to such supply contracts have been fair valued through the income statement The movement in fair value is entirely attributable to changes in market prices The supply contracts with such customers are designated as hedging instruments and these supply contracts are also fair valued through the income statement (see note 2)

Notes to the financial statements

at 31 December 2007

22 Financial instruments (continued)

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

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

Other hedges

Neither the group nor the company enters into cash flow hedges or hedges of net investment in foreign operations

23. Share based payments

During 2005 certain ex-employees and all current employees with greater than 3 months service were entitled to participate in the Initial Public Offering of Gaz de France, the ultimate parent undertaking There were 3 share purchase schemes open to UK employees

Gaz Dispo

The purchase cost of shares under this scheme was £15 43 and could be sold immediately as they do not have a period of non-transferability Bonus shares will be awarded on a 1 for 3 basis if the shares are held for a period of 1 year

Gaz Plus

The purchase cost of shares under this scheme was £12 35, a 20% discount on the Initial Public Offer price Shares are non-transferable for a period of two years and bonus shares will be awarded on a 1 for 2 basis, up to a value of £356 61, and 1 for 4 basis up to the maximum limit of £836 76 providing the shares are held for three years

Gaz Abond

The purchase cost of shares under this scheme was £12 35, a 20% discount on the Initial Public Offer price Shares are non-transferable for a period of five years and bonus shares will be awarded on a 1 for 1 basis, up to a value of £356 61, and 1 for 4 basis up to the maximum limit of £836 76 awarded once the five years has passed A further benefit of this scheme is that the company purchased shares on behalf of employees The company matched the employee investment up to £456 61, contributed £0 40 for every £1 00 the employee invested from £456 62 to £2,328 03 and contributed £0 25 for every £1 00 the employee invested from £2,328 04 up to a maximum of £6,664 81

The expense recognised for share-based payments in respect of employee services received during, and prior to the year to 31 December 2007 is £nil (2006 - £20,000) 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

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

Notes to the financial statements

at 31 December 2007

23. Share based payments (continued)

The fair-value of the equity-settled shares granted has been estimated at the date of grant using a method set out in the French Conseil National de la Comptabilite communication on employee share ownership plans The valuation takes account of the terms and conditions upon which the shares were granted The following table lists the inputs to the model used for the year ended 31 December 2007

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

The period of non-transferability, the dividend yield and the risk free interest rate were incorporated into the measurement of fair value No other features were incorporated into the measurement of fair value

24. Authorised and issued share capital

	2007 *£'000*	2006 *£'000*
Authorised		
52,500,000 ordinary shares of £1 each	52,500	52,500
Called up, allotted and fully paid		
51,900,972 ordinary shares of £1 each	51,901	51,901

25. Reconciliation of movements in equity

Group

	Equity Share Capital £'000	*Retained Losses £'000*	*Total Equity £'000*
At 1 January 2006	51,901	(31,575)	20,326
Profit for the year	-	3,039	3,039
Share based payment	-	20	20
At 31 December 2006	51,901	(28,516)	23,385
Profit for the year	-	11,897	11,897
At 31 December 2007	51,901	(16,619)	35,282

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Company

	Equity Share Capital	*Retained Earnings*	*Total Equity*
	£'000	*£'000*	*£'000*
At 1 January 2006	51,901	2,277	54,178
Profit for the year	-	3,436	3,436
At 31 December 2006	51,901	5,713	57,614
Profit for the year	-	4,023	4,023
At 31 December 2007	51,901	9,736	61,637

26. Other financial commitments
(i) Operating leases

The group has entered into commercial operating leases on certain properties, motor vehicles and items of office equipment These leases have an average duration of 3 and 15 years None of the leases contain an option for renewal

Future minimum rentals payable under non-cancellable operating leases are as follows

	Land and building		*Other*	
	2007	*2006*	*2007*	*2006*
	£'000	*£'000*	*£'000*	*£'000*
Not later than one year	388	388	162	132
After one year but not more than five	1,552	1,552	351	63
After five years	2,151	2,529	372	-
	4,091	4,469	885	195

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

The company has not entered into any non-cancellable operating leases

Notes to the financial statements

at 31 December 2007

26. Other financial commitments (continued)

(ii) Gas purchase commitments

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

	2007 *£'000*	*2006* *£'000*
Not later than one year	246,040	178,144
After one year but not more than five	459,076	56,494
	705,116	234,638

(iii) Electricity purchase commitments

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

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

27. Related party transactions

The consolidated financial statements include the financial statements of Gaz de France ESS (UK) Ltd and the subsidiaries listed in the following table

	% equity interest *2007*	*2006*
Gaz de France Solutions Limited	100	100
Gaz de France Sales Limited	100	100
Gaz de France Marketing Limited	100	100
Gaz de France Services Limited	100	100
Gaz de France Generation Limited	100	100

The company's immediate parent undertaking is Gaz de France International SA, a company registered in France

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

Notes to the financial statements

at 31 December 2007

27. Related party transactions (continued)

The ultimate parent undertaking of the group of undertakings for which group financial statements are drawn up, and of which the company is a member, is Gaz de France SA, a company registered in France Copies of Gaz de France's group financial statements can be obtained from Gaz de France, 23 rue Philibert Delorme, 75840, Paris, Cedex 17, France

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

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

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

Group

2007

	Sales	*Purchases*	*Interest receivable*	*Interest payable*	*Amount owed from*	*Amount owed to*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Gaz de France SA	20,101	794,018	875	764	4,072	77,578
Gaz de France SA (Gaz de France intercompany deposit facility)	-	-	-	-	12,100	-
Gaz de France SA (loan)	-	-	-	-	-	14,800
Gaselys SA	1,581	49,204	-	-	-	2,652
Gaz de France Britain Limited	-	-	-	-	-	-
Cofathec Heatsave Limited	3,956	167	-	-	886	12

2006

	Sales	*Purchases*	*Interest receivable*	*Interest payable*	*Amount owed from*	*Amount owed to*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Gaz de France SA	14,998	825,062	-	1,156	1,096	106,677
Gaz de France SA (Gaz de France intercompany borrowing facility)	-	-	-	-	-	38,000
Gaz de France SA (loan)	-	-	-	-	-	20,800
Gaselys SA	17,386	347,140	-	-	2,690	6,563
Gaz de France Britain Limited	-	-	-	-	360	-
Cofathec Heatsave Limited	4,799	3,501	-	-	1,806	338

Terms and conditions of transactions

The sales to and purchases from Gaz De France SA and Gaselys SA are based upon market prices and all balances are due within the month after the month of the delivery, the terms and conditions are comparable with an arm's length transaction

The transactions with Cofathec Heatsave Limited are made at normal prices and with terms and conditions comparable with an arm's length transactions

Notes to the financial statements

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27. Related party transactions (continued)

Gaz de France International SA acts as joint guarantor with Gaz de France ESS (UK) Ltd on three operating leases (note 26)

The group operates a netting banking facility between its constituent companies A Letter of Comfort from Gaz de France International SA and a debenture and cash cover held in the name of the company's bankers provides security for this facility (note 17)

Sales to Gaz de France SA represent the sale of electricity to Gaz de France SA from Gaz de France Generation Limited, and a recharge for services performed by the group's employees on behalf of Gaz de France SA

Purchases from Gaz de France SA represent purchases of electricity and gas for onward resale to customers, and purchases of gas to be used in the generation of electricity at Shotton Combined Heat and Power Station All transactions are made under terms and conditions comparable with those of an arm's length transaction

Interest payable to Gaz de France SA represents interest charged on current and non-current loans, the rate charged on these balances is equal to 3 month LIBOR + 0 35%

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

Purchases from Gaselys SA represent purchases of electricity for onward sale to customers, and purchases of gas to be used in the generation of electricity at Shotton Combined Heat and Power Station All transactions are made under terms and conditions comparable with those of an arm's length transaction

Amounts owed from Gaz de France Britain Limited represent the sale of corporation tax losses

Sales to Cofathec Heatsave Limited represent the sale of electricity and are made under terms and conditions comparable with those of an arm's length transaction

Company

2007

	Sales *£'000*	*Purchases* *£'000*	*Interest receivable* *£'000*	*Interest payable* *£'000*	*Amount owed from* *£'000*	*Amount owed to* *£'000*
Gaz de France SA	-	-	875	764	132	-
Gaz de France SA (Gaz de France intercompany deposit facility)	-	-	-	-	12,100	-
Gaz de France SA (Loan)	-	-	-	-	-	14,800
Gaz de France Solutions Limited	-	-	-	1,607	-	3,379
Gaz de France Sales Limited	-	-	2,900	-	-	-
Gaz de France Marketing Limited	-	-	1,036	-	22,194	-
Gaz de France Marketing Limited (non-current loan)	-	-	-	-	4,639	-
Gaz de France Generation Limited	-	-	2,504	-	-	-
Gaz de France Generation Limited (non-current loan)	-	-	-	-	38,106	-

Notes to the financial statements

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2006

	Sales	*Purchases*	*Interest receivable*	*Interest payable*	*Amount owed from*	*Amount owed to*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Gaz de France SA	-	-	-	1,156	1	-
Gaz de France SA (Gaz de France intercompany deposit facility)	-	-	-	-	-	38,000
Gaz de France SA (Loan)	-	-	-	-	-	20,800
Gaz de France Solutions Limited	-	-	2,288	-	65,369	-
Gaz de France Sales Limited	-	-	11	-	213	-
Gaz de France Marketing Limited	-	-	36	-	675	-
Gaz de France Marketing Limited (non-current loan)	-	-	-	-	4,639	-
Gaz de France Generation Limited	-	-	2,242	-	3,846	-
Gaz de France Generation Limited (non-current loan)	-	-	-	-	38,106	-

Terms and conditions of transactions

Interest payable to Gaz de France SA represents interest charged on current and non-current loans, the rate charged on these balances is equal to 3 month LIBOR + 0 35%

Interest receivable from/payable to the company's subsidiaries represents amounts charged on intercompany balances, the rate charged on these balances is equal to Bank of England Base Rate + 1 00%

Compensation of key management personnel of the group

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

£168,000 (2006 £nil) was recharged to the group by Cofathec Projis Sarl, a subsidiary of Gaz de France SA, for the services of key management personnel

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