

# **Gaz de France ESS (UK) Limited**

## **Report and Group Financial Statements**

31 December 2003



# Gaz de France ESS (UK) Limited

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Registered No. 2706333

## **Directors**

Mr J C Depail (Chairman)  
Mr P Persuy  
Mr E Stab  
Ms M D Bucher  
Mr L Renat  
Mr B Brelle  
Mr J Roncato  
Mr F Guilhamon

## **Secretary**

Mr D Park

## **Auditors**

Ernst & Young LLP  
Cloth Hall Court  
14 King Street  
Leeds LS1 2JN

## **Bankers**

Barclays Bank PLC  
50 Pall Mall  
London SW1A 1QF

## **Registered Office**

1 City Walk  
Leeds  
West Yorkshire  
LS11 9DX

 ERNST & YOUNG

## Directors' report

The directors present their report and the group financial statements for the year ended 31 December 2003.

### Results and dividends

The result for the year ended 31 December 2003 was a loss after taxation of £12,297,959 (2002 – £1,471,543 loss). Included within these results were exceptional items of £2,345,970 (2002-£644,683 loss) arising as a result of a restructuring and relocation of continuing operations.

The directors do not recommend the payment of dividend.

### Principal activities, review of the business and future developments

The principal activities of the company and the subsidiaries are the purchase, supply and management of natural gas and electricity to industrial and commercial customers.

On 26 October 2003, Gaz de France Marketing Limited, one of the group companies, acquired a combined heat and power station to supplement its electricity supply business.

During the year, the group and certain of its subsidiary undertakings moved their headquarters and operations from Telford to Leeds. The group incurred exceptional costs in respect of this relocation amounting to £2,345,970.

The result for the period reflects the group's investment in the growth of the business. The implementation of growth plans has achieved improved sales turnover during the course of the year. With this growth and the continued support of the parent company, the directors are confident that the future prospects of the company and its fellow subsidiary undertakings are very good.

### Directors and their interests

The directors who served during the year ended 31 December 2003 were:

Mr J C Depail (Chairman)	
Ms E R Stein	Resigned 31 May 2003
Mr J C Marouby	Resigned 1 January 2004
Mr P Persuy	
Mr N Abensour	Resigned 13 June 2003
Mr E Stab	
Ms M D Bucher	Appointed 13 June 2003
Mr J Laurelut	Appointed 13 June 2003, resigned 25 September 2003
Mr L Renat	Appointed 13 June 2003
Mr B Brelle	Appointed 19 December 2003
Mr J Roncato	Appointed 19 December 2003
Mr F Guilhamon	Appointed 1 April 2004

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

The company is a wholly owned subsidiary of a company incorporated outside Great Britain. For this reason, details of the directors' interests are not required to be given in accordance with SI 1985 No. 802.

## **Directors' report**

### **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 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.

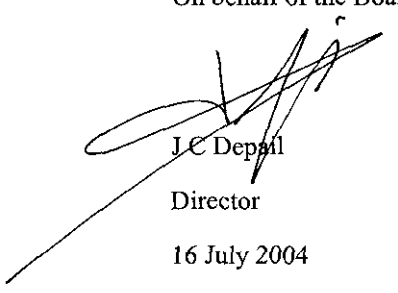
### **Employees**

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.

### **Auditors**

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

On behalf of the Board



J.C. Depail

Director

16 July 2004

## **Statement of directors' responsibilities in respect of the financial statements**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Independent auditors' report****to the members of Gaz de France ESS (UK) Limited**

We have audited the group's financial statements for the year ended 31 December 2003 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group and Company Balance Sheets and the related notes 1 to 24. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

**Independent auditors' report**

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2003 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
Leeds

16 July 2004

## Group profit and loss account

for the year ended 31 December 2003

	Notes	Continuing Operations £	Acquisitions £	2003 Total £	2002 Total £
<b>Turnover</b>	2	307,924,308	7,034,461	314,958,769	220,778,758
Cost of sales		(304,266,975)	(8,510,409)	(312,777,384)	(216,776,929)
Gross profit		3,657,333	(1,475,948)	2,181,385	4,001,829
Administrative expenses - ongoing		(10,655,263)	(954,878)	(11,610,141)	(4,562,331)
- exceptional	4	(2,345,970)	-	(2,345,970)	(644,683)
<b>Operating loss</b>	3	(9,343,900)	(2,430,826)	(11,774,726)	(1,205,185)
Interest receivable	6	241,409	-	241,409	19,007
Interest payable and similar charges	7	(758,547)	(6,166)	(764,713)	(283,744)
<b>Loss on ordinary activities before taxation</b>		(9,861,038)	(2,436,992)	(12,298,030)	(1,469,922)
Tax on loss on ordinary activities	8			71	(1,621)
<b>Loss for the financial period</b>	19			(12,297,959)	(1,471,543)

All of the activities of the group are classed as continuing.

## Group statement of total recognised gains and losses

for the year ended 31 December 2003

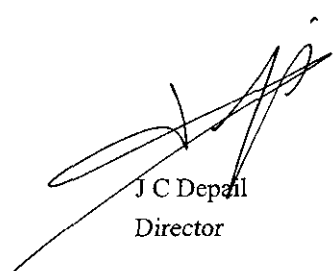
There are no recognised gains or losses attributable to the shareholders of the group other than the loss for the year ended 31 December 2003 of £12,297,959 (2002 – £1,471,543 loss).



**Balance sheets**

at 31 December 2003

	Note	Group		Company	
		2003 £	2002 £	2003 £	2002 £
<b>FIXED ASSETS</b>					
Goodwill	10	4,376,739	4,606,743	-	-
Tangible assets	11	42,367,842	4,968,635	-	-
Investments	12	-	-	3,565,638	3,565,638
		<u>46,744,581</u>	<u>9,575,378</u>	<u>3,565,638</u>	<u>3,565,638</u>
<b>CURRENT ASSETS</b>					
Stocks	14	612,469	386,993	-	-
Debtors	15	76,219,114	40,363,981	70,916,276	11,622,735
Cash on deposit		3,900,000	516,000	-	-
Cash at bank and in hand		<u>2,874,614</u>	<u>5,647,346</u>	<u>-</u>	<u>-</u>
		83,606,197	46,914,320	70,916,276	11,622,735
<b>CREDITORS: amounts falling due within one year</b>	16	<u>(71,219,209)</u>	<u>(45,884,925)</u>	<u>(237,192)</u>	<u>(2,010,003)</u>
<b>NET CURRENT ASSETS</b>		<u>12,386,988</u>	<u>1,029,395</u>	<u>70,679,084</u>	<u>9,612,732</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		59,131,569	10,604,773	74,244,722	13,178,370
<b>CREDITORS: amounts falling due after more than one year</b>	17	<u>(22,750,000)</u>	<u>(8,342,446)</u>	<u>(22,750,000)</u>	<u>(8,311,696)</u>
<b>NET ASSETS</b>		<u>36,381,569</u>	<u>2,262,327</u>	<u>51,494,722</u>	<u>4,866,674</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	18	51,900,792	5,483,591	51,900,792	5,483,591
Profit and loss account	19	<u>(15,519,223)</u>	<u>(3,221,264)</u>	<u>(406,070)</u>	<u>(616,917)</u>
<b>SHAREHOLDERS' FUNDS</b>	19	<u>36,381,569</u>	<u>2,262,327</u>	<u>51,494,722</u>	<u>4,866,674</u>



J C Depail  
Director

16 July 2004

## Notes to the financial statements

at 31 December 2003

### 1. Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards. The particular accounting policies adopted are described below:

#### Going concern

The company is dependent on financial support being made available by its 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.

#### Basis of preparation

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

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

#### Basis of consolidation

The group financial statements consolidate the financial statements of Gaz de France ESS Limited and its subsidiary undertakings drawn up to the 31 December, with the exception of Gaz de France Marketing Limited which prepared accounts to 17<sup>th</sup> December 2002 and 31 December 2003. The results of businesses acquired are consolidated for the periods from the date on which control passed.

No profit and loss account is presented for Gaz de France ESS (UK) Limited as permitted by section 230 of the Companies Act 1985. The profit dealt with in the financial statements for the year is £210,847 (2002 – 25,000 loss).

The group has prepared consolidated financial statements for 2003 whereas in 2002 single entity accounts were prepared. Accordingly the comparative amounts are prepared on a consolidated basis.

#### Intangible assets - Goodwill

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets. It has been capitalised and is being written off in equal annual instalments over its estimated useful economic life of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### Statement of cash flows

The company has taken advantage of the exemption contained in FRS 1 ("Revised") as a subsidiary undertaking where 90% or more of the voting rights are controlled within the group and therefore does not present a statement of cash flows in these financial statements. A copy of these financial statements can be obtained from Gaz de France, contact details of which are contained in note 22.

## Notes to the financial statements

at 31 December 2003

### Tangible fixed assets

Fixed assets are shown at cost or valuation less accumulated depreciation.

Depreciation is provided on the assets in equal annual instalments over their estimated useful lives. The rates of depreciation are as follows:

Leasehold property	- over the period of the lease
Plant & Machinery	- over the remaining life of the power plant (to March 2031)
	- hours utilised
Fixtures, fittings and office equipment	- 3 years
IT equipment & software	- 3 years to 5 years
Motor vehicles	- 5 years

### 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 the events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is provided for in the current period profit and loss account 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.

### Stock

Stock, which comprises natural gas for resale and fuel oil for utilisation in the power station, has been stated at the lower of cost and net realisable value.

### Deferred taxation

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

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

### Operating leases and hire purchase commitments

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Assets acquired under hire purchase agreements and finance leases are capitalised in the balance sheet and are depreciated in accordance with the company's normal policy. The outstanding liabilities under such agreements, less any interest not yet due, are included in creditors. Interest on such agreements is charged in the profit and loss account over the term of each agreement.

### Pension costs

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

**at 31 December 2003**

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

	2003	2002
	£	£
Gas	224,763,984	218,482,033
Electricity	90,194,785	2,296,725
	<u>314,958,769</u>	<u>220,778,758</u>

This is stated after charging:

	2003	2002
	£	£
Depreciation and amortisation:		
owned assets	2,878,210	425,342
assets held under finance leases	41,666	3,472
Loss on disposal of fixed assets	48,209	-
Amortisation of goodwill	230,004	-
Auditors' remuneration in respect of - audit services	73,000	72,000
- non-audit services	59,406	76,500
Operating lease rentals - land & buildings	177,051	60,165
- others	122,215	56,399

	2003 £	2002 £
Cost of restructuring and relocating continuing operations	2,345,970	644,683

The company and certain of its fellow subsidiary undertakings moved their headquarters and operations from Telford to Leeds and the costs incurred have been charged to profit in accordance with FRS 12.

## Notes to the financial statements

at 31 December 2003

### 5. Directors remuneration and staff costs

	2003 £	2002 £
Wages and salaries	5,171,802	1,981,875
Social security costs	482,054	178,140
Other pension costs	180,459	304,454
	<u>5,834,315</u>	<u>2,464,469</u>

The monthly average number of employees (including directors) during the year was 125 (2002- 70).

	2003 Number	2002 Number
Sales and Marketing	30	16
Administration	95	54
	<u>125</u>	<u>70</u>

#### *Directors emoluments:*

	2003 £	2002 £
Emoluments	<u>559,873</u>	<u>438,800</u>
Company contribution paid to defined benefit contribution scheme	<u>18,436</u>	<u>39,009</u>

	2003 Number	2002 Number
Members of defined contribution scheme	<u>2</u>	<u>2</u>

## Notes to the financial statements

at 31 December 2003

### 5. Directors remuneration and staff costs continued

*Highest paid director:*

	2003 £	2002 £
Emoluments	335,382	268,483
Company contribution paid to defined benefit contribution scheme	11,873	32,555

### 6. Interest receivable

	2003 £	2002 £
Bank & other interest	241,409	19,007

### 7. Interest payable and similar charges

	2003 £	2002 £
Bank loans, overdrafts and other loans repayable within 5 years	761,713	283,631
Finance lease interest	3,000	113
	764,713	283,744

### 8. Tax on loss on ordinary activities

(a) Analysis of (credit)/charge in period

	2003 £	2002 £
<i>Current tax:</i>		
Prior year (overprovision)/under provision	(71)	1,621
Tax on loss on ordinary activities	(71)	1,621

## Notes to the financial statements

at 31 December 2003

### 8. Tax on loss on ordinary activities continued

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

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

	2003 £	2002 £
Loss on ordinary activities before tax	(12,298,030)	(1,469,922)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK (30%)	(3,689,409)	(440,977)
<i>Effect of:</i>		
Expenses not deductible for tax purposes	141,000	223,099
Depreciation in excess of capital allowances	862,958	16,684
Other timing differences	-	(221)
Adjustment in respect of previous periods	(71)	1,621
Unrelieved tax losses	2,685,451	201,415
Current tax (credit)/charge for the period	(71)	1,621

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

A net deferred tax asset of £4,529,116 in respect of these losses and other timing differences has not been recognised due to uncertainty of future profits (2002 - £980,705)

### 9. Profit attributable to the company

The profit for the financial year dealt with in the financial statements of the parent company was £210,847 (2002 - £25,000 loss). As permitted by section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

## Notes to the financial statements

at 31 December 2003

### 10. Goodwill

Group	Total £
<b>Cost</b>	
At 1 January 2003	4,606,743
At 31 December 2003	4,606,743
<b>Amortisation</b>	
At 1 January 2002	-
Charge for the year	230,004
At 31 December 2003	230,004
<b>Net book value</b>	
At 31 December 2003	4,376,739
At 31 December 2002	4,606,743

Goodwill is being written off in equal instalments over its estimated economic life of 20 years.



## Notes to the financial statements

at 31 December 2003

### 11. Tangible fixed assets

Group	Long Leasehold Property	Plant & Machinery	Fixtures, fittings and office equipment	IT software and equipment	Motor vehicles	Total
	£	£	£	£	£	£
<b>Cost:</b>						
At 1 January 2003	107,959	-	1,531,797	4,410,094	27,240	6,077,090
Acquisitions	1,199,570	36,788,845	-	-	50,000	38,038,415
Additions	13,237	19,658	477,162	2,177,954	-	2,688,011
Disposals	(107,959)	-	(505,029)	-	(27,240)	(640,228)
Transfer to consumables	-	(166,815)	-	-	-	(166,815)
At 31 December 2003	1,212,807	36,641,688	1,503,930	6,588,048	50,000	45,996,473
<b>Depreciation:</b>						
At 1 January 2003	54,353	-	792,853	247,326	13,923	1,108,455
Charge for the year	28,760	950,083	330,463	1,605,296	5,274	2,919,876
Disposals	(72,795)	-	(310,208)	-	(16,697)	(399,700)
At 31 December 2003	10,318	950,083	813,108	1,852,622	2,500	3,628,631
<b>Net book value:</b>						
At 31 December 2003	1,202,489	35,691,605	690,822	4,735,426	47,500	42,367,842
At 31 December 2002	53,606	-	738,944	4,162,768	13,317	4,968,635

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

### 12. Investments

#### Company

Shares in subsidiary undertakings

	2003 £	2002 £
Cost	3,565,308	3,590,638
Less amounts written off	-	(25,000)
	3,565,638	3,565,638

## Notes to the financial statements

at 31 December 2003

### 12. Investments continued

The company's subsidiary undertakings at 31 December 2003 are listed below:

<i>Held directly</i>	<i>Country of incorporation</i>	<i>Class of shares held</i>	<i>Proportion held by the company</i>
Gaz de France Solutions Limited <sup>(1)</sup>	England and Wales	Ordinary	100%
Gaz de France Sales Limited <sup>(1)</sup>	England and Wales	Ordinary	100%
Gaz de France Marketing Limited <sup>(1)</sup>	England and Wales	Ordinary	100%
Gaz de France Services Limited <sup>(2)</sup>	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 principal activity of the subsidiary is the provision of services to fellow group undertakings.

### 13. Acquisition

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

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

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

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

## Notes to the financial statements

at 31 December 2003

### 13. Acquisition continued

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

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

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

### 14. Stocks

	Group	
	2003	2002
	£	£
Natural gas	534,704	386,993
Fuel oil	77,765	-
	<u>612,469</u>	<u>386,993</u>

### 15. Debtors

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Trade debtors	65,975,110	32,368,051	-	-
Amounts owed by group undertakings	3,352,631	-	-	-
Amounts owed by subsidiary undertakings	-	-	70,916,276	11,573,225
Other debtors	5,930,552	6,463,848	-	49,510
Prepayments and accrued income	960,821	1,532,082	-	-
	<u>76,219,114</u>	<u>40,363,981</u>	<u>70,916,276</u>	<u>11,622,735</u>

## Notes to the financial statements

at 31 December 2003

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

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Obligations under finance leases and hire purchase contracts	25,500	58,750	-	-
Bank loans and overdrafts	9,690,581	4,791,096	-	-
Trade creditors	1,978,549	3,408,764	-	-
Amounts owed to group undertakings	40,072,030	24,746,485	237,192	2,010,003
Corporation tax	5,820	5,820	-	-
Other creditors	129,745	327,659	-	-
Other taxation and social security	8,592,440	5,556,085	-	-
Accruals and deferred income	10,724,544	6,990,266	-	-
	<u>71,219,209</u>	<u>45,884,925</u>	<u>237,192</u>	<u>2,010,003</u>

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.

### 17. Creditors: amounts falling due after more than one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Amounts owed to parent undertaking	22,750,000	8,311,696	22,750,000	8,311,696
Obligations under finance leases and hire purchase contracts	-	30,750	-	-
	<u>22,750,000</u>	<u>8,342,446</u>	<u>22,750,000</u>	<u>8,311,696</u>

## Notes to the financial statements

at 31 December 2003

### 18. Share capital

	2003 £	2002 £
<i>Authorised</i>		
52,500,000 ordinary shares of £1 each (2002 – 5,500,000)	<u>52,500,000</u>	<u>5,500,000</u>
<i>Called up, allotted and fully paid</i>		
51,900,972 ordinary shares of £1 each (2002 – 5,483,591)	<u>51,900,792</u>	<u>5,483,591</u>

During the year an ordinary resolution was passed to increase the authorised share capital of the company by 47,000,000 ordinary shares of £1 each. These ordinary shares rank pari passu with those in existence prior to the resolution.

Also during the year, the company allotted 46,417,201 £1 ordinary shares with a nominal value of £46,417,201 to Gaz de France International SA. The consideration for the shares was the conversion of loans totalling £46,417,201 due to Gaz de France International SA from the company.

### 19. Reconciliation of movements in shareholders' funds and movement on reserves

Group	Share Capital £	Profit and Loss Account £	Total Shareholders' Funds £
At 1 January 2001	5,483,591	(1,749,721)	3,733,870
Loss for the year	-	(1,471,543)	(1,471,543)
At 31 December 2002	<u>5,483,591</u>	<u>(3,221,264)</u>	<u>2,262,327</u>
Loss for the year	-	(12,297,959)	(12,297,959)
Shares issued	46,417,201	-	46,417,201
At 31 December 2003	<u>51,900,792</u>	<u>(15,519,223)</u>	<u>36,381,569</u>

## Notes to the financial statements

at 31 December 2003

### 19. Reconciliation of movements in shareholders' funds and movement on reserves continued

#### Company

	<i>Share Capital</i>	<i>Profit and Loss Account</i>	<i>Total Shareholders' Funds</i>
	£	£	£
At 1 January 2001	5,483,591	(591,917)	4,891,674
Loss for the year	-	(25,000)	(25,000)
At 31 December 2002	5,483,591	(616,917)	4,866,674
Profit for the year	-	210,847	210,847
Shares issued	46,417,201	-	46,417,201
At 31 December 2003	51,900,792	(406,070)	51,494,722

### 20. Pension arrangements

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company. Employer's contributions to the scheme during the year were £180,549 (2002 – £304,454). At 31 December 2003, contributions of £12,359 (2002 – £234,070) were unpaid.

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

The maturity of these amounts is as follows:

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

## Notes to the financial statements

at 31 December 2003

### 22. Other financial commitments

#### (i) Operating leases

The group has annual commitments under non-cancellable operating leases are as follows;

	<i>Land and building</i>		<i>Other</i>	
	2003	2002	2003	2002
	£	£	£	£
Operating leases which expire:				
within one year	-	-	6,591	29,524
in two to five years	66,466	60,165	84,678	73,152
after five years	340,440	-	-	-
	<u>406,906</u>	<u>60,165</u>	<u>91,269</u>	<u>102,676</u>

#### (ii) Gas purchase commitments

At 31 December 2003 the group, through Gaz de France Solutions Limited, was committed to paying £259,143,562 (2002 – £149,852,000) during the next year under certain gas purchase contracts.

#### (iii) Electricity purchase commitments

At 31 December 2003 the group, through Gaz de France Marketing Limited, was committed to paying £65,492,892 (2002 – £6,429,641) during the next year under certain electricity purchase contracts.

### 23. Related party transactions

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

### 24. Ultimate parent undertaking

The company's immediate parent undertaking is G.D.F. International S.A., a company registered in France.

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, 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.