

Registered Number : 03814488

GDF SUEZ Solutions Limited

Report and Financial Statements

31 December 2011

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COMPANIES HOUSE

GDF SUEZ Solutions Limited

Registered No 03814488

Directors

Dr S Riley
Mr D Park
Mr J Lester

Secretary

Ms H Berger

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
3 Victoria Square
Victoria Street
St Albans
AL1 3TF

Bankers

Barclays Bank PLC
50 Pall Mall
London
SW1A 1QF

Registered Office

1 City Walk
Leeds
West Yorkshire
LS11 9DX

Directors' report

The directors present their report and the company financial statements for the year ended 31 December 2011

Results and dividends

The results for the year after taxation amounted to a profit of £419,000 (2010 £217,000), an increase of 93% from the previous year. Of this, all is attributable to the members of the company.

Net assets have reduced by £22,535,000 as a result of the dividend paid in the year and a £14,037,000 valuation loss on cash flow hedges.

The directors recommend a final ordinary dividend of £nil (2010 £8,917,000). Dividends are recognised in the accounts in the year in which they are paid, or in the case of a final dividend when approved by the shareholders.

Principal activities, review of the business and future developments

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

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

	2011	2010	Change %
Volume sold (thousands Therms)	14,587	13,301	10
Revenue (£'000)	9,588	7,519	27
Gross profit (£'000)	681	471	44
Profit before tax (£'000)	578	306	88

Sales revenue has increased by 27% to £9,588,000 (2010 £7,519,000). This is a consequence of a 10 % increase in the volume of gas delivered, in Therms, compared to 2010 together with an increase in wholesale gas market prices compared to 2010.

The company remained profitable with a gross profit of £681,000 (2010 £471,000) and profit before tax of £578,000 (2010 £306,000).

Details of the company's financial risk management and the use of financial instruments is included in note 15 and 16 to the financial statements.

Principal risks and uncertainties facing the company

The key risks are energy prices, credit risk, economic conditions, competitor actions, legislation, business continuity and internal controls failure. The company maintains a strong balance sheet backed by the support of its parent company, the International Power plc and GDF SUEZ SA groups.

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

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

Directors' report

Principal risks and uncertainties facing the company (continued)

Exposure to economic conditions is mitigated by pursuing a diversified customer portfolio to reduce reliance being focused toward a small number of large customers or a number of customers within specific industry sectors

The impact of competitor actions is monitored on an ongoing basis to ensure the products and services offered by the company continue to maintain our competitive position in the market

The group's Regulatory Affairs team monitor and provide active participation in consultation on legislation changes within the industry and the company ensures compliance with all relevant legislation. Health and Safety guidance is provided to employees through information on the intranet and the Company Employee Handbook

The company has a business continuity plan ready to be implemented in response to a critical business event

An Internal Control Review Project combined with a Continuous Improvement Programme was in place throughout the year. The combination of these two initiatives is the documentation of policies, procedures and key processes throughout the business with the objective of achieving a greater level of control, process consistency, efficiency and improvement

The company's treasury policies seek to reduce and minimise financial risk and ensure sufficient liquidity for foreseeable needs. The majority of transactions are in £ sterling, however where appropriate the group hedges foreign exchange transactions to minimise exposure to foreign exchange movements

There is a comprehensive budgeting system in place with an annual budget approved locally by the executive management team and also centrally by International Power plc and GDF SUEZ SA. 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

International Power plc and GDF SUEZ SA group instruction manuals set out the policies and procedures with which the UK subsidiaries are required to comply. The executive management team are responsible for ensuring that the UK companies observe and implement the policies and procedures set out in the manual which is regularly reviewed and updated

Going concern

The directors have considered the going concern basis and concluded that it is appropriate. In performing this assessment the directors have considered the forecasts for the company and the uncertain current economic conditions. Further detail is provided in note 1 to the financial statements.

Directors

The directors who served during the year ended 31 December 2011 and subsequently were

Mr D Park

Mr M J Hirt

Dr S Riley

Mr J Lester

resigned 3 February 2011

appointed 3 February 2011

appointed 1 November 2011

Supplier payment policy

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

Directors' report

Change of ownership

On 3rd February 2011, as part of the merger between International Power plc and GDF SUEZ SA the intermediate parent company, Stopper Finance BV was acquired by International Power plc, a company registered in England and Wales. Under the merger GDF SUEZ SA acquired 70% of International Power plc and GDF SUEZ SA therefore remains the company's ultimate parent and controlling interest.

Employees

The company has no employees. Activities of the company are performed by employees of its sister company GDF SUEZ Marketing Limited and the costs of such activities are recharged to GDF SUEZ Solutions Limited.

Environmental policy

The company is committed to reducing its impact on the environment. As part of this commitment the company actively promotes and encourages energy efficiency and recycling wherever possible.

Auditor

Ernst and Young LLP resigned as auditor of the company in July 2011 and Deloitte LLP was appointed as the company's statutory auditor for 2011. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Directors' statement as to disclosure of information to the auditor

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditor, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information (that is, information needed by the company's auditor in connection with preparing their report) of which the company's auditor is unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

By order of the Board

D Park
Director

17 July 2012



Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, International Accounting Standard 1 requires that directors

- properly select and apply accounting policies,
- 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 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

to the member of GDF SUEZ Solutions Limited

We have audited the financial statements of GDF SUEZ Solutions Limited for the year ended 31 December 2011 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report

to the member of GDF SUEZ Solutions Limited

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Robert Knight FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP,

Chartered Accountant and Statutory Auditor

St Albans, United Kingdom

20 July 2012

Income statement

for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Revenue	3	9,588	7,519
Cost of sales		(8,907)	(7,048)
Gross profit		681	471
Administrative expenses		(162)	(167)
Operating profit	4	519	304
Finance revenue	6	59	461
Finance costs	7	-	(459)
Profit before taxation		578	306
Tax charge	8	(159)	(89)
Profit for the financial year		419	217

All amounts relate to continuing activities

Statement of comprehensive income

for the year ended 31 December 2011

	2011	2010
	£'000	£'000
Profit for the year	419	217
<i>Other comprehensive (expense) / income</i>		
Valuation (loss) / gain on cash flow hedge	(19,006)	22,789
Tax on amounts in comprehensive income / (expense)	4,969	(6,153)
Other comprehensive (expense) / income, net of tax	(13,618)	16,853
Total comprehensive (expense) / income for the year, net of tax	(13,618)	16,853

All of the above income is attributable to the owners of the company

Balance sheet

at 31 December 2011

	Note	2011 £'000	2010 £'000
Non-current assets			
Financial assets	16	1,609	6,411
Deferred tax asset	8	2,104	-
Total non-current assets		3,713	6,411
Current assets			
Trade and other receivables	10	35,819	45,371
Other financial assets	16	20,291	35,085
Cash and short term deposits	11	299	44,067
Total current assets		56,409	124,523
Current liabilities			
Trade and other payables	12	35,373	79,461
Current tax liabilities	13	101	-
Other financial liabilities	16	27,519	25,586
Provisions	14	260	893
Total current liabilities		63,253	105,940
NET CURRENT (LIABILITIES) / ASSETS		(6,844)	18,583
Non current liabilities			
Deferred tax liability	8	-	2,848
Financial liabilities	16	2,516	5,040
Provisions	14	35	253
Total non-current liabilities		2,551	8,141
NET (LIABILITIES) / ASSETS		(5,682)	16,853
Capital and reserves			
Share capital	17	-	-
Retained earnings		419	8,917
Hedging reserve		(6,101)	7,936
TOTAL EQUITY		(5,682)	16,853

The financial statements were approved by the board of directors and authorised for issue on 17 July 2012. They were signed on its behalf by

D Park
Director
17 July 2012



Statement of changes in equity

for the year ended 31 December 2011 and 31 December 2010

	Share Capital £'000	Retained Profits £'000	Hedging Reserve £'000	Total Equity £'000
At 1 January 2010	-	9,027	(8,700)	327
Profit for the year	-	217	-	217
Dividend paid	-	(327)	-	(327)
Valuation gain on cash flow hedge	-	-	22,789	22,789
Tax on amounts in other comprehensive income	-	-	(6,153)	(6,153)
At 31 December 2010	-	8,917	7,936	16,853
At 1 January 2011	-	8,917	7,936	16,853
Profit for the year	-	419	-	419
Dividend paid	-	(8,917)	-	(8,917)
Valuation loss on cash flow hedge	-	-	(19,006)	(19,006)
Tax on amounts in other comprehensive expense	-	-	4,969	4,969
At 31 December 2011	-	419	(6,101)	(5,682)

Statement of cash flows

for year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Operating activities			
Profit before taxation		578	306
<i>Adjustments to reconcile profit before taxation to net cash flows from operating activities</i>			
Finance revenue	6	(59)	(461)
Finance cost	7	-	459
Decrease in trade and other receivables		9,552	77,150
Decrease in other financial assets		19,596	14,950
(Decrease) in trade and other payables		(44,087)	(42,743)
Decrease / (increase) in other financial liabilities		(592)	(14,950)
Hedging reserve movement		(19,006)	-
(Decrease) / increase in provision		(851)	636
Cash (used by) / generated from operations		(34,869)	35,347
Tax paid		(41)	(249)
Net cash flows from operating activities		(34,910)	35,098
Financing Activities			
Dividends paid	20	(8,917)	(327)
Finance revenue	6	59	461
Finance cost	7	-	(459)
Net cash flows used in financing activities		(8,858)	(325)
Net (decrease) / increase in cash and cash equivalents		(43,768)	34,773
Cash and cash equivalents at 1 January		44,067	9,294
Cash and cash equivalents at 31 December	11	299	44,067

Notes to the financial statements

at 31 December 2011

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

The financial statements of GDF SUEZ Marketing Limited (the 'company') for the year ended 31 December 2011 were authorised for issue by the board of the directors on 17 July 2012 and the balance sheet was signed on the board's behalf by D Park. GDF SUEZ Marketing Limited is a private limited company incorporated and domiciled in England & Wales.

Basis of Preparation

The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the company for the year ended 31 December 2011 and applied in accordance with Companies Act 2006. The principle accounting policies adopted by the company are set out in note 2.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The company financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the company operates and all values are rounded to the nearest thousand Pounds Sterling (£000) except when otherwise indicated.

Going concern

The directors have considered the going concern basis and concluded that it is appropriate. In performing this assessment the directors have considered the forecasts for the company and the uncertain current economic conditions. The company is dependent on financial support being made available by its immediate parent company, GDF SUEZ Energy UK Limited, to enable it to continue in operational existence and to meet its debts as they fall due. The directors confirm this support is in place and have assessed the ability of the parent company to provide this support and therefore believe that it is appropriate to prepare financial statements on a going concern basis.

2. Accounting policies

Change in accounting policies

In the current year, the following new and revised Standards and Interpretations have been adopted:

Standards affecting the financial statements

The following amendment was made as part of *Improvements to IFRSs (2010)*:

Amendment to IFRS 7
Financial Instruments
Disclosures

The amendment clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated financial assets.

The impact of this amendment has been to reduce the level of disclosure provided on collateral that the entity holds as security on financial assets that are past due or impaired.

Notes to the financial statements

at 31 December 2011

2. Accounting Policies (continued)

Change in accounting policies (continued)

Standards not affecting the reported results nor the financial position

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but, with the exception of the amendment to IFRS 1, may impact the accounting for future transactions and arrangements.

Amendment to IFRS 1
*Limited Exemption from
Comparative IFRS 7
Disclosures for First-time
Adopters*

The amendment provides a limited exemption for first-time adopters from providing comparative fair-value hierarchy disclosures under IFRS 7.

Amendment to IFRS 3
Business Combinations

IFRS 3 has been amended such that only those non-controlling interests which are current ownership interests and which entitle their holders to a proportionate share of net assets upon liquidation can be measured at fair value or the proportionate share of net identifiable assets. Other non-controlling interests are measured at fair value, unless another measurement basis is required by IFRSs.

IAS 24 (2009) *Related Party
Disclosures*

The revised Standard has a new, clearer definition of a related party, with inconsistencies under the previous definition having been removed.

Amendment to IAS 32
Classification of Rights Issues

Under the amendment, rights issues of instruments issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency and which otherwise meet the definition of equity are classified as equity.

Amendments to IFRIC 14
*Prepayments of a Minimum
Funding Requirement*

The amendments now enable recognition of an asset in the form of prepaid minimum funding contributions.

IFRIC 19 *Extinguishing
Financial Liabilities with
Equity Instruments*

The Interpretation provides guidance on the accounting for 'debt for equity swaps' from the perspective of the borrower.

Improvements to IFRSs 2010

Aside from those items already identified above, the amendments made to standards under the 2010 improvements to IFRSs have had no impact on the group.

Notes to the financial statements

at 31 December 2011

2. Accounting Policies (continued)

Change in accounting policies (continued)

Standards and interpretations issued but not yet applied

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU)

IFRS 1 (amended)	<i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
IFRS 7 (amended)	<i>Disclosures – Transfers of Financial Assets</i>
IFRS 9	<i>Financial Instruments</i>
IFRS 10	<i>Consolidated Financial Statements</i>
IFRS 11	<i>Joint Arrangements</i>
IFRS 12	<i>Disclosure of Interests in Other Entities</i>
IFRS 13	<i>Fair Value Measurement</i>
IAS 1 (amended)	<i>Presentation of Items of Other Comprehensive Income</i>
IAS 12 (amended)	<i>Deferred Tax Recovery of Underlying Assets</i>
IAS 19 (revised)	<i>Employee Benefits</i>
IAS 27 (revised)	<i>Separate Financial Statements</i>
IAS 28 (revised)	<i>Investments in Associates and Joint Ventures</i>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows

- IFRS 9 will impact both the measurement and disclosures of Financial Instruments, and
- IFRS 13 will impact the measurement of fair value for certain assets and liabilities as well as the associated disclosures

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed

Critical Accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The following are critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amount recognised in the financial statements

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Notes to the financial statements

at 31 December 2011

2. Accounting Policies (continued)

Critical Accounting judgements and key sources of estimation uncertainty (continued)

Key sources of 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

Onerous contract provision

Provision is made for the net present cost, using a risk-free discount rate, of expected losses on onerous long-term sales contracts. The provision is based on the difference between the contracted sales prices and the expected weighted average purchase cost of electricity.

Taxation

The company is subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provisions required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned. Tax computations for all periods ending on or before 31 December 2009 have been agreed with the relevant tax authorities.

Significant accounting policies

Property, plant and equipment

Property, plant and equipment are shown at cost less accumulated depreciation and any provision for impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

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

Fixtures, fittings and office equipment	-	3 years
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The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

Financial Assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognised on the trade date, the date that the company commits to purchase or sell the asset.

The subsequent measurement of financial assets depends on their classification.

Notes to the financial statements

at 31 December 2011

2. Accounting Policies (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised or finance expense in the income statement.

The company has not designated any financial assets upon initial recognition as at fair value through profit and loss.

The company evaluates its financial assets at fair value through profit and loss (held for trading) and whether the intent in the near term is still appropriate. When the company is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available for sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation. The company did not reclassify any financial assets in the current period.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through the profit and loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. The losses arising from impairment are recognised in the income statement in other operating expenses.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Notes to the financial statements

at 31 December 2011

2. Accounting Policies (continued)

Derecognition of financial assets

The financial assets (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when (i) the rights to receive cash flows from the asset have expired or (ii) the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Impairment of financial assets

The company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired

For financial assets carried at amortised cost the company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the company. If, in subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other operating expense in the income statement.

Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

Purchases or sales of financial liabilities that require delivery of liabilities within a time frame established by regulation or convention in the marketplace are recognised on the trade date, the date that the company commits to purchase or sell the liabilities.

Notes to the financial statements

at 31 December 2011

2. Accounting Policies (continued)

Initial recognition and measurement (continued)

The subsequent measurement of financial assets depends on their classification as follows

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised or finance expense in the income statement.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the company becomes party to the related contracts and are measured initially at the fair value of consideration received 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 revenue and finance cost.

Derecognition of financial liabilities

A 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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the financial statements

at 31 December 2011

2. Accounting Policies (continued)

Fair values

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis in other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 16.

Derivative financial instruments

The company enters into wholesale purchase commitments to satisfy demand forecasts associated with its supply contracts. The movements in fair value of some of these commitments qualify as derivative financial instruments due to the terms and conditions attached to the related supply contracts. Such derivative financial instruments are initially recognised at fair value on the date on which such a wholesale purchase commitment is entered into and are subsequently re-measured 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. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Any gains or losses from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship, as follows:

Hedge accounting

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

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

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Notes to the financial statements

at 31 December 2011

2. Accounting Policies (continued)

Hedge Accounting (continued)

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. For hedged items carried at amortised cost, the adjustment is amortised through the income statement such that it is fully amortised by maturity. When an unrecognised firm commitment is designated as a hedged item, this gives rise to an asset or liability in the balance sheet, representing the cumulative change in the fair value of the firm commitment attributable to the hedged risk.

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.

Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income, while the ineffective portion is recognised in profit or loss. Amounts taken to other comprehensive income are transferred to the income statement when the hedged transaction affects profit or loss, such as when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If a forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit and loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs and are transferred to the income statement or to the initial carrying amount of a non-financial asset or liability as above. If the related transaction is not expected to occur, the amount is taken to income statement.

Trade and other receivables

Trade receivables, which generally have 14-30 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

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

Notes to the financial statements

at 31 December 2011

2. Accounting policies (continued)

Income Taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables that are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet

Provisions

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability

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

Onerous contracts

Provision is made for the net present cost, using a risk-free discount rate, of expected losses on onerous long-term sales contracts. The provision is based on the difference between the contracted sales prices and the expected weighted average purchase cost of gas

Notes to the financial statements

at 31 December 2011

2. Accounting Policies (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

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

Finance income

Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Operating Profit

Operating profit is stated before investment income and finance revenues and costs.

3. Revenue

All revenue was generated in the UK from the supply and management of natural gas to industrial and commercial customers.

An analysis of the company's revenue is as follows:

	2011 £'000	2010 £'000
Sale of goods	9,588	7,519
Interest income	59	461
	<hr/>	<hr/>
	9,647	7,980
	<hr/>	<hr/>

4. Operating profit

This is stated after charging:

	2011 £'000	2010 £'000
Fees paid to the company's auditor for the audit of the financial statements	1	1
	<hr/>	<hr/>

Notes to the financial statements

at 31 December 2011

5. Director's remuneration and staff costs

No remuneration was paid by GDF SUEZ Solutions Limited to directors during the years ended 31 December 2011 and 31 December 2010 in respect of services to the company. Directors who perform services for the company are employed by other group companies and their costs are not recharged to the company.

Staff who perform services for the company are employed by GDF SUEZ Marketing Limited, a fellow subsidiary, and their costs are recharged to the company.

6. Finance revenue

	2011	2010
	£'000	£'000
Interest receivable from customers for late payment	9	(1)
Bank interest receivable	-	1
Inter-company interest	50	461
	<u>59</u>	<u>461</u>

For terms and conditions relating to related party receivables, refer to Note 19

7. Finance cost

	2011	2010
	£'000	£'000
Inter-company interest	-	459
	<u>-</u>	<u>459</u>

For terms and conditions relating to related party payables, refer to Note 19

Notes to the financial statements

at 31 December 2011

8. Taxation

	2011 £'000	2010 £'000
(a) Tax charge		
Current income tax:		
UK corporation tax on profits of the year	142	72
Adjustments in respect of previous periods	-	(6)
Total current income tax charge	142	66
Deferred tax:		
Deferred income tax relating to the origination and reversal of temporary differences	17	23
Tax charge in the income statement	159	89
 Tax relating to item charged to equity		
Deferred income tax related to items charged directly to equity during the year		
Valuation loss / (gain) on cash flow hedge	4,969	(6,319)
	2011 £'000	2010 £'000
(b) Reconciliation of tax charge		
Profit before tax	578	306
Profit multiplied by standard rate of corporation tax of 26.5% (2010: 28%)	153	86
Adjustments in respect of prior periods – current tax	-	(6)
Adjustments in respect of prior periods – deferred tax	-	6
Change in deferred tax rate	6	3
Tax charge in the income statement	159	89

Notes to the financial statements

at 31 December 2011

8. Taxation (continued)

(c) Deferred tax

An analysis of the movements in deferred tax is as follows

	2011 £'000	2010 £'000
Deferred tax asset at 1 January	2,848	(3,494)
Deferred tax charge in income statement for the year (note 8a)	17	23
Deferred tax (credit) / debit to equity (note 8a)	(4,969)	6,319
	<u>(2,104)</u>	<u>2,848</u>
Deferred tax (asset) / liability at 31 December		
	<u>(2,104)</u>	<u>2,848</u>
Analysed as	2011 £'000	2010 £'000
Accelerated capital allowances	(40)	(55)
Valuation (loss) / gain on cash flow hedge	(2,034)	2,935
Other short-term temporary differences	(30)	(32)
	<u>(2,104)</u>	<u>2,848</u>

(d) Change in Corporation Tax rate

Finance Act 2011, which was substantively enacted in July 2011, included provisions to reduce the rate of corporation tax to 26% with effect from 1 April 2011 and 25% with effect from 1 April 2012. Accordingly, deferred tax balances have been revalued to the lower rate of 25%, which has resulted in a debit to the profit & loss account of £6,000 and a debit to reserves of £163,000.

The government has announced that it intends to further reduce the rate of corporation tax to 24% with effect from 1 April 2012, 23% from 1 April 2013 and 22% from 1 April 2014. As this legislation was not substantively enacted by 31 December 2011, the impact of the anticipated rate change is not reflected in the tax provisions reported in these accounts.

The aggregate impact of the proposed reductions from 25% to 22% would reduce the deferred tax asset by approximately £422,000.

Notes to the financial statements

at 31 December 2011

9. Property, plant and equipment

	Fixtures, fittings and office equipment £'000
Cost	
At 1 January 2011 & 31 December 2011	678
Accumulated depreciation	
At 1 January 2011 & 31 December 2011	678
Net book amount	
At 31 December 2010 & 31 December 2011	-

Cost	
At 1 January 2010 & 31 December 2010	678
Accumulated depreciation	
At 1 January 2010 & 31 December 2010	678
Net book amount	
At 1 January 2010 & 31 December 2010	-

The company does not hold any assets under finance leases

Notes to the financial statements

at 31 December 2011

10. Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables	4,590	3,351
Other receivables	4,254	4,293
Amounts owed by group undertakings	53	385
Amounts owed by fellow subsidiary undertakings	25,653	36,337
Prepayments and accrued income	1,269	1,005
	<u>35,819</u>	<u>45,371</u>

For terms and conditions relating to related party receivables, refer to note 19 Trade receivables are non interest bearing within terms, and are generally on 14-30 days terms

Of the trade receivables balance at the year end £879,000 (2010 £919,000) is due from Linpac Group Ltd and GE Group Ltd There are no other customers who represent more than 5 per cent of the total balance of trade receivables

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

	Total £'000	Neither past due nor impaired £'000	Past due but not impaired		
			<30 days £'000	30-270 days £'000	>270 days £'000
2011	4,590	4,244	43	39	264
2010	3,351	3,210	141	-	-

As at 31 December 2011, trade receivables at gross value of £379,000 (2010 £1,676,000) were impaired and fully provided for No amounts owed by group undertakings were past due nor impaired at the balance sheet date (2010 nil) Movements in the provision for impairment of receivables were as follows

	2011 £'000	2010 £'000
At 1 January	1,676	1,891
(Release) for the year	(1,297)	(215)
At 31 December	<u>379</u>	<u>1,676</u>

Ageing of impaired trade receivables is as follows

	2011 £'000	2010 £'000
<30 days	1	139
30-270 days	22	85
>270 days	356	1,452
	<u>379</u>	<u>1,676</u>

Notes to the financial statements

at 31 December 2011

11. Cash and cash equivalents

	2011 £'000	2010 £'000
Cash at bank and in hand	299	10
Short term deposits	-	44,057
	<u>299</u>	<u>44,067</u>

The company operates a cash pooling facility with GDF SUEZ Treasury Management Sarl under which any shortfalls or surpluses of cash are transferred. Interest on short term deposits accrues at the Sterling Overnight Interbank Average (SONIA) interest rate less 0.15% and interest on short term borrowings are charged at the SONIA interest rate plus 0.45%.

12. Trade and other payables

	2011 £'000	2010 £'000
Trade payables	2,843	663
Other creditors	15,418	22,612
Amounts owed to group undertakings	15,968	33,495
Amounts owed to fellow subsidiary undertakings	-	396
Accruals and deferred income	1,144	22,295
	<u>35,373</u>	<u>79,461</u>

For terms and conditions relating to related party payables refer to note 19

13. Current tax liabilities

	2011 £'000	2010 £'000
Corporation tax	<u>101</u>	<u>-</u>

Notes to the financial statements

at 31 December 2011

14. Provisions

	2011 Onerous Contracts £'000	2010 Onerous Contracts £'000
At 1 January	1,146	511
Arising during the year	192	984
Utilised during the year	(1,043)	(349)
At 31 December	295	1,146
Current	260	893
Non-current	35	253
	295	1,146

Onerous contracts

Provision is made for the net present cost, using a risk-free discount rate, of expected losses on onerous long-term sales contracts. The provision is based on the difference between the contracted sales prices and the expected weighted average purchase cost of gas.

The utilisation of the provision aligns with the expiry of the relevant contracts over the next 2 years.

15. Financial risk management objectives and policies

Capital Risk Management

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

The GDF SUEZ Energy UK Group monitors capital on a consolidated basis using return on capital employed (ROCE), which is operating profit divided by net assets.

The capital structure of the company consists of share capital and accumulated reserves.

There are no externally imposed capital requirements.

The company's principal financial liability comprises amounts owed to group undertakings. The main purpose of these instruments is to raise finance for the company's operations. The company has various financial assets such as trade receivables, cash and short-term deposits, which arise directly from its operations, in addition to loans to and from fellow subsidiaries and trade payables.

Certain wholesale purchase commitments, supply contracts and gas swap arrangements are also designated as financial instruments.

It is, and has been throughout 2011 and 2010, the company's policy that no trading in derivatives shall be undertaken, apart from the wholesale purchase commitments to satisfy demand forecast associated with its supply contracts and the gas swap agreement to hedge the risk associated with commodity price of gas.

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

Notes to the financial statements

at 31 December 2011

15. Financial risk management objectives and policies (continued)

Interest rate maturity profile of financial assets and liabilities

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

<i>Year ended 31 December 2011</i>	<i>Interest rate %</i>	<i>Within 1 year £'000</i>	<i>Total £'000</i>
Cash and short term deposits	SONIA -0.15%	299	299

<i>Year ended 31 December 2010</i>	<i>Interest rate %</i>	<i>Within 1 year £'000</i>	<i>Total £'000</i>
Cash and short term deposits	SONIA -0.15%	44,067	44,067

Interest rate risk

Apart from the financial instruments listed above, the other financial assets and financial liabilities of the company are non-interest bearing and therefore are not subject to interest rate risk

Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's profit before tax (through the impact on floating rate borrowings)

	<i>Increase/decrease in base rate</i>	<i>Effect on profit before tax £'000</i>	<i>Effect on other comprehensive income £'000</i>
2011	+0.25%	29	21
	-0.25%	(29)	(21)
2010	+0.25%	1	1
	-0.25%	(1)	(1)

Foreign currency risk

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

Credit risk

The company trades only with recognised, creditworthy third parties. It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The company utilises credit insurance for trade with third parties meeting certain criteria. In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the company, which comprise cash and cash equivalents, the exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying value of these assets as at the balance sheet date.

Notes to the financial statements

at 31 December 2011

15. Financial risk management objectives and policies (continued)

Liquidity risk

The cash pooling and overdraft facility with GDF SUEZ Treasury Management Sarl minimises the risk of a shortage of funds

The maturity profile of the financial liabilities of the company as at 31 December 2011 and as at 31 December 2010 based on contractual undiscounted payments is as follows

<i>Year ended 31 December 2011</i>	On Demand £'000	Less than 3 months £'000	3-12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Amounts owed to group undertakings	15,968	-	-	-	-	15,968
Trade and other payables	-	19,405	-	-	-	19,405
Financial liabilities in respect of forward commodity contracts	-	15,174	12,345	2,516	-	30,035
<i>Year ended 31 December 2010</i>	On Demand £'000	Less than 3 months £'000	3-12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Amounts owed to fellow subsidiary undertakings	396	-	-	-	-	396
Amounts owed to group undertakings	-	33,495	-	-	-	33,495
Trade and other payables	-	45,570	-	-	-	45,570
Financial liabilities in respect of forward commodity contracts	-	13,506	12,080	5,040	-	30,626

The maturity profile of the financial assets of the company as at 31 December 2011 and as at 31 December 2010 based on contractual undiscounted payments is as follows

<i>Year ended 31 December 2011</i>	On Demand £'000	Less than 3 months £'000	3-12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Cash and short term deposits	299	-	-	-	-	299
Amounts owed by fellow subsidiary undertakings	25,653	-	-	-	-	25,653
Amounts owed by group undertakings	53	-	-	-	-	53
Trade and other receivables	-	8,844	-	-	-	8,844
<i>Year ended 31 December 2010</i>	On Demand £'000	Less than 3 months £'000	3-12 months £'000	1 to 5 years £'000	>5 years £'000	Total £'000
Cash and short term deposits	44,067	-	-	-	-	44,067
Amounts owed by fellow subsidiary undertakings	36,337	-	-	-	-	36,337
Amounts owed by group undertakings	385	-	-	-	-	385
Trade and other receivables	-	7,644	-	-	-	7,644

Notes to the financial statements

at 31 December 2011

16. Financial instruments

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the company's financial instruments, that are carried in the financial statements. Note that in all cases the fair value is equal to the carrying value of those assets and liabilities.

	2011 £'000	2010 £'000
<i>Financial Assets</i>		
Cash and short term deposits	299	44,067
Loans and receivables	34,550	44,366
Derivative instruments in designated hedge accounting relationships *		
- current	20,291	35,085
- non-current	1,609	6,411
<i>Financial Liabilities</i>		
Derivative instruments in designated hedge accounting relationships *		
- current	27,519	25,586
- non-current	2,516	5,040
Amortised cost	34,229	57,166

*see note on cash flow hedges below

Hedging activities

Economic hedges

The company enters into wholesale purchase commitments to cover future contracted supplies, subject to market liquidity, availability of products and compliance with risk policies and limits set down by management.

The company had entered into wholesale purchase commitments for future delivery under certain supply contracts where the contract permits the customer to sell back the purchases made prior to delivery. The purchase commitments related to such supply contracts have been fair valued through the income statement. The supply contracts with such customers are designated as derivatives and these supply contracts are also fair valued through the income statement (see note 2).

Notes to the financial statements

at 31 December 2011

16. Financial instruments (continued)

Cash flow hedges

In 2009, the company entered into a swap arrangement with another group undertaking in France, in which the company swapped its index-priced gas purchased from its suppliers with fixed priced gas. This is to hedge its risk associated with the market price of gas for supplying those customers with fixed price contracts.

The contracts to purchase index-priced gas are designated as hedged items and each swap agreement is designated as a hedging instrument where the supply contracts do not permit the customer to sell back the purchases prior to delivery. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity, net of tax, while the ineffective portion is recognised in income. The gains or losses accumulated in equity are reclassified to the income statement, under the same caption as the loss or gain on the hedged item – i.e. current operating income for operating cash flows and financial income or expenses for other cash flows – in the same periods in which the hedged cash flows affect income.

If the hedging relationship is discontinued, in particular because the hedge is no longer considered effective or the forecast transaction is no longer probable the cumulative gain or loss on the hedging instrument is recognised in income over the remaining period of the forecast transaction.

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.

Fair value hierarchy

As at 31 December 2011, the company held the following financial instruments measured at fair value.

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3 techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Assets measured at fair value	31 Dec 2011	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000
Financial assets - commodity forward contract	21,900	-	21,900	-
Liabilities measured at fair value	31 Dec 2011	Level 1	Level 2	Level 3
	£'000	£'000	£'000	£'000
Financial liabilities – commodity forward contract	30,035	-	30,035	-

During the reporting period ending 31 December 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

Notes to the financial statements

at 31 December 2011

17. Share capital

	2011 £	2010 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
<i>Called up, allotted and fully paid</i>		
1 ordinary share of £1 each	1	1

18. Other financial commitments

Gas purchase commitments

At 31 December 2011 the company was committed to certain future gas purchase contracts. These contracts are due to be settled as follows:

	2011 £'000	2010 £'000
Not later than one year	214,020	248,684
After one year but not more than five	324,975	20,625
	538,995	269,309

19. Related party transactions

The company's immediate parent undertaking is GDF SUEZ Energy UK Limited, a company registered in England and Wales.

GDF SUEZ Marketing Limited, GDF SUEZ Sales Limited, GDF SUEZ Shotton Limited and GDF SUEZ Services Limited are all 100% owned subsidiaries of GDF SUEZ Energy UK Limited. All of these fellow subsidiary undertakings are registered in England and Wales.

The ultimate controlling parent undertaking of the immediate parent is GDF SUEZ SA, a company registered in France. Copies of GDF SUEZ SA's group financial statements can be obtained from GDF SUEZ SA, Tour T1, 1 place Samuel de Champlain, Faubourg de l'Arche, 92930 Paris La Défense, France.

The company is dependent on financial support being made available by the immediate parent company to enable it to continue in operational existence and to meet its debts as they fall due.

GDF SUEZ Trading SA is a company registered in France and is a subsidiary of GDF SUEZ GROUP, its ultimate parent undertaking is GDF SUEZ SA.

Electrabel SA is a company registered in Belgium, with its ultimate parent also being GDF SUEZ SA.

GDF SUEZ Treasury Management Sarl is a company registered in Luxembourg, with its ultimate parent being GDF SUEZ SA.

GDF SUEZ Teesside Limited is a company registered in England and Wales and is a subsidiary of Stopper Finance BV, its ultimate controlling parent undertaking is GDF SUEZ SA.

Cofathec Sale PFI Limited is a Group undertaking, with its ultimate parent also being GDF SUEZ SA.

Notes to the financial statements

at 31 December 2011

19. Related party transactions (continued)

2011

	Sales	Purchases	Interest receivable	Interest payable	Amount owed from	Amount owed to
	£'000	£'000	£'000	£'000	£'000	£'000
Cofathec Sale PFI Limited	-	-	-	-	-	-
GDF Suez Trading SA	103,226	129,553	-	-	-	-
Electrabel BV	18,365	24,924	-	-	-	-
GDF SUEZ Treasury Management Sarl	-	-	50	-	-	-
GDF SUEZ SA	-	305,218	-	-	-	-
GDF SUEZ Teesside Limited	1,564	1,467	-	-	53	-
GDF SUEZ Energy UK Limited	-	-	-	-	-	-
GDF SUEZ Sales Limited	471,546	-	-	-	21,267	-
GDF SUEZ Marketing Limited	-	91	-	-	4,386	15,968
GDF SUEZ Shotton Limited	47,145	24,437	-	-	-	-

A dividend of £8,917,000 (2010 327,000) was paid to GDF SUEZ Energy UK Limited

2010

	Sales	Purchases	Interest receivable	Interest payable	Amount owed from	Amount owed to
	£'000	£'000	£'000	£'000	£'000	£'000
Cofathec Sale PFI Limited	31	-	-	-	4	-
GDF SUEZ Trading SA	17,949	-	-	-	-	5,490
Electrabel BV	-	32,240	-	-	-	3,095
GDF SUEZ SA	-	212,207	-	-	-	24,777
GDF SUEZ Teesside Limited	5,781	-	-	-	381	-
GDF SUEZ Energy UK Limited	-	-	461	-	-	133
GDF SUEZ Sales Limited	381,222	-	-	111	34,674	-
GDF SUEZ Marketing Limited	-	5,787	-	348	-	396
GDF SUEZ Shotton Limited	-	-	-	-	1,663	-

Terms and conditions of transactions

Purchases from GDF SUEZ SA, GDF SUEZ Trading SA and Electrabel BV represent the purchase of natural gas and are made at market prices with terms and conditions in line with the norm within the industry

Sales to GDF SUEZ Trading SA represent the sellback of natural gas that was purchased to meet customer sales commitments but was ultimately not required

Sales to GDF SUEZ Teesside Limited represent the sale of gas for use in the generation of electricity, the terms and conditions are comparable with those of an arm's length transaction

The dividend paid to GDF SUEZ Energy UK Limited is a minimum of the previous years profit after tax distributable reserves, or available cash and was paid within 6 months of the year end

The sales to GDF SUEZ Sales Limited represent recharges for the purchase of natural gas made by the company that relates to GDF SUEZ Sales Limited customers. With the exception of purchases to fulfil sales contracts for customers of GDF SUEZ Solutions Limited, intercompany purchases and sales represent back to back purchases and related sales by GDF SUEZ Solutions Limited on behalf of other group companies. These are excluded from sales and cost of sales as these trades are recharged by GDF SUEZ Solutions Limited to the respective group company with no margin added

Notes to the financial statements

at 31 December 2011

19. Related party transactions (continued)

The cost of purchases relating to GDF SUEZ Marketing Limited represents the company's share of the operational overheads and gas purchases incurred on behalf of the company. The cost of interest payable represents the distribution of cash pooling interest due to GDF SUEZ Marketing Limited.

The sales relating to Cofathec Sale PFI Limited represent the sale of natural gas and are made at prices and with terms and conditions in line with external third party customers.

The company operates a cash pooling facility with GDF SUEZ Treasury Management Sarl under which any shortfalls or surpluses of cash are transferred. Interest on short term deposits accrues at the Sterling Overnight Interbank Average (SONIA) interest rate less 0.15% and interest on short term borrowings are charged at the SONIA interest rate plus 0.45%.

Terms and conditions of related party balances

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

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

Compensation of key management personnel of the company

None of the Directors are compensated by the company, nor have there been any transactions with the Directors during the year.

20. Dividends proposed

	2011 £'000	2010 £'000
Proposed for approval at the board meeting on 17 July 2012 (2010: 3 May 2011) (not recognised as a liability as at 31 December)		
Dividends on ordinary shares		
Final dividend	-	8,917