

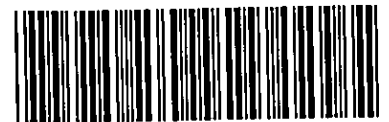
Registered Number : 3814495

Gaz de France Sales Limited

Report and Financial Statements

31 December 2006

MONDAY



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COMPANIES HOUSE

Gaz de France Sales Limited

Registered No 3814495

Directors

Mr J C Depail (Chairman)

Mr E Stab

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

Directors' report

The directors present their report and the company financial statements for the year ended 31st December 2006

Results and dividends

The results for the year ended 31st December 2006 are shown in the Income Statement on page 8. The profit for the year after taxation was £533,000 (2005 £3,511,000)

The directors do not recommend the payment of a dividend

Principal activities, review of the business and future developments

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

The result for the year reflects the group's investment in the growth of the business. The increase in revenue has been achieved through the growth plans implemented over the past few years. Sales revenue increased by 138% to £597,857,000 (2005 £432,527,000)

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

The company remained profitable, with profit before tax of £495,000 (2005 £3,511,000)

The company's net liabilities were £318,000 (2005 £851,000 net liabilities), including cash at bank and in hand of £14,098,000 (2005 £4,236,000). However there has been a year on year improvement in the net asset position of the group headed by Gaz de France ESS (UK) Ltd

The delivering portfolio of gas customers remains strong and provides a firm foundation for the forthcoming year. Based on the results achieved this year and the continued support of the ultimate parent company, the directors are confident that the future prospects of company are satisfactory

Principal risks and uncertainties facing the company

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

Exposure to energy price risk is minimised by restricting quotation validity to limited underlying market price movements and by hedging sales with purchases at the point of contract acceptance. Gas forward contracts are used for hedging purposes only and to 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 and mitigated through the use of credit insurance, letters of credit and customer deposits

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

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

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

Directors' report

observes and implements the policies and procedures set out in the manual which is regularly reviewed and updated

Health and Safety guidance is provided to employees through information on the intranet and the Company Employee Handbook. A Health and Safety committee comprising departmental representatives meets regularly and provides feedback to the Management Team on outstanding issues. External consultants provide support in ensuring compliance with Health and Safety legislation and good practice.

Directors and their interests

The directors who served during the year ended 31st December 2006 were

Mr J C Depail (Chairman)

Mr E Stab

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

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 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 company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employees

The company places considerable value on the involvement of its employees and has continued its previous practice of ensuring effective two-way communication on matters affecting them as employees, and on various factors affecting the performance of the group. This is achieved through both formal and informal meetings, together with a regular newsletter and information on the group intranet. As part of the on-going development of two way communication between the company and its employees meetings of the Employee Works Council were held for the first time this year.

Environmental Policy

The company is committed to reducing its impact on the environment. As part of this commitment the company actively promotes and encourages energy efficiency and recycling wherever possible. An 'Energy and Environment Week' was held again this year to highlight and reaffirm the important issues. Staff are encouraged to take part in environmental challenges within the local community.

Auditors

In accordance with section 386 of the Companies Act 1985, a resolution to dispense with the obligation to appoint auditors annually was passed on 12th December 2006. Accordingly, Ernst & Young shall be deemed to be re-appointed as auditors from 25th April 2007.

Directors' report

Directors' statement as to disclosure of information to the auditors

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

On behalf of the Board



J.C. Depail

Director

28th March 2007

Statement of directors' responsibilities in respect of the financial statements

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

The directors are required to prepare financial statements for each financial year which present fairly the financial position of the company financial performance and cash flows of the company for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- state that the company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements

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

Independent auditors' report

to the shareholders of Gaz de France Sales Limited

We have audited the company's financial statements (the "financial statements") for the year ended 31st December 2006 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expense and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as set out in the Statement of Directors' Responsibilities.

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

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

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

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 shareholders of Gaz de France Sales Limited

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 31st December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Leeds

29th March 2007

Income statement

for the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
Revenue	2	597,857	432,527
Cost of sales		(589,615)	(422,375)
Gross profit		8,242	10,152
Administrative expenses		(5,152)	(4,388)
Operating profit	3	3,090	5,764
Finance income	5	14,122	9,399
Finance cost	6	(16,717)	(11,652)
Profit before taxation		495	3,511
Tax credit	7	38	-
Profit for the financial year attributable to equity holders of the parent	14	533	3,511

Statement of recognised income and expense

for the year ended 31 December 2006

There was no recognised income or expense attributable to the shareholders of the company other than the profit for the year ended 31 December 2006 of £533,000 (2005 – £3,511,000)

Balance sheet

at 31 December 2006

	Note	2006 £'000	2005 £'000
Current assets			
Trade and other receivables	8	376,240	327,311
Cash and short-term deposits	9	14,098	4,236
Total current assets		<u>390,338</u>	<u>331,547</u>
Current liabilities			
Trade and other payables	10	390,656	332,398
Financial liabilities	12	-	-
Total current liabilities		<u>390,656</u>	<u>332,398</u>
NET LIABILITIES		<u>(318)</u>	<u>(851)</u>
Capital and reserves			
Equity share capital	13	-	-
Retained losses	14	(318)	(851)
TOTAL EQUITY	14	<u>(318)</u>	<u>(851)</u>

J C Depail

Director

28th March 2007

Cash flow statement

for the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Operating activities			
Operating profit		3,090	5,764
<i>Adjustments to reconcile operating profit to net cash flows from operating activities</i>			
(Increase) in trade and other receivables		(34,882)	(163,607)
Increase in payables		41,541	167,112
Cash generated from operations		9,749	9,269
Interest paid		-	(113)
Interest received		74	66
Tax received		39	71
Net cash flows from operating activities		9,862	9,293
Financing activities			
Increase in amounts owed to group undertakings		-	-
Net cash flows from financing activities		-	-
Net increase in cash and cash equivalents		9,862	9,293
Cash and cash equivalents at 1 January		4,236	(5,057)
Cash and cash equivalents at 31 December	9	14,098	4,236

Notes to the financial statements

at 31 December 2006

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

The financial statements of Gaz de France Sales Limited (the 'Company') for the year ended 31 December 2006 were authorised for issue by the board of the directors on 28th March 2007 and the balance sheet was signed on the board's behalf by J C Depail. Gaz de France Sales Limited is a private limited company incorporated and domiciled in England & Wales.

The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The company's financial statements have been prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 1985. The principal accounting policies adopted by the company are set out in note 2.

2. Accounting policies

Basis of preparation

The accounting policies which follow set out these policies which apply in preparing the financial statements for the year ended 31 December 2006.

The company financial statements are presented in Sterling (£000's).

Going concern

The company is dependent on financial support being made available by a group company, Gaz de France International SA, to enable it to continue in operational existence and to meet its debts as they fall due. The parent company, Gaz de France International SA, 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.

Trade and other receivables

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

Revenue recognition

Sale of goods

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

Finance Income

Revenue is recognised as interest accrues.

Notes to the financial statements

at 31 December 2006

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,
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future, and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised

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

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

Borrowing costs

Borrowing costs are recognised as an expense when incurred

Exceptional items

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

Financial Assets

Financial assets in the scope of IAS 39 are classified as financial assets at fair value through profit or loss or loans and receivables, as appropriate. The company determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year-end. When financial assets are recognised initially, they are measured at fair value

All regular way purchases and sales of financial assets are recognised on the trade date, being the date that the company commits to purchase or sell the asset. Regular way transactions require delivery of assets within the timeframe generally established by regulation or convention in the market place. The subsequent measurement of financial assets depends on their classification, as follows

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available for sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant

Notes to the financial statements

at 31 December 2006

2. Accounting policies (continued)

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance income and finance cost

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss

New standards and interpretations not applied

During the year, the IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements

International Accounting Standards (IAS / IFRSs)		Effective date
IFRS 7	Financial Instruments Disclosures	1 January 2007
IAS 1	Amendment – Presentation of Financial Statements Capital Disclosures	1 January 2007
IFRS 8	Operating Segments	1 January 2009

International Financial Reporting Interpretations Committee (IFRIC)		Effective date
IFRIC 8	Scope of IFRS 2	1 May 2006
IFRIC 9	Reassessment of Embedded Derivatives	1 June 2006
IFRIC 10	Interim Financial Reporting and Impairment	1 November 2006
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	1 March 2007
IFRIC 12	Service Concession Arrangements	1 January 2008

Notes to the financial statements

at 31 December 2006

2. Accounting policies (continued)

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the company's financial statements in the period of initial application

Upon adoption of IFRS 7, the company will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. More specifically the company will need to disclose the fair value of its financial instruments and its risk exposure in greater detail. There will be no effect on reported income or net assets.

Revenue

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

3. Operating profit

This is stated after charging

	2006	2005
	£'000	£'000
Fees paid to auditors for the audit of the financial statements	40	41
Other fees to auditors for taxation services	50	18
	<u> </u>	<u> </u>

4. Directors remuneration and staff costs

No director received any remuneration in respect of their services to the company for the years ended 31 December 2006 and 31 December 2005.

Staff who perform services for the company are employed by Gaz de France Marketing Limited and their costs are recharged to the company.

5. Finance income

	2006	2005
	£'000	£'000
Interest receivable for late payment	74	91
Bank interest receivable	-	196
Inter-company loan interest	14,048	9,112
	<u> </u>	<u> </u>
	14,122	9,399
	<u> </u>	<u> </u>

For terms and conditions relating to related party receivables, refer to note 15.

Notes to the financial statements

at 31 December 2006

6. Finance cost

	2006 £'000	2005 £'000
Bank loans, overdrafts and other loans repayable within 5 years	-	130
Inter-company loan interest	16,717	11,522
	<u>16,717</u>	<u>11,652</u>

For terms and conditions relating to related party receivables, refer to note 15

7. Taxation

	2006 £'000	2005 £'000
(a) Tax credit		
UK corporation tax		
UK corporation tax on profits of the year	-	-
Adjustments in respect of previous periods	(38)	-
Tax credit in the income statement	<u>(38)</u>	<u>-</u>

	2006 £'000	2005 £'000
(b) Reconciliation of tax credit		
Profit before tax	<u>495</u>	<u>3,511</u>
Profit multiplied by standard rate	148	1,053
Adjustments in respect of prior periods	(38)	-
Tax effect of non-deductible or non-taxable items	3	31
Group relief (recovered) for no payment	(197)	(706)
Transfers to / (from) unrecognised tax assets	46	(378)
Tax credit	<u>(38)</u>	<u>-</u>

(c) Factors affecting future tax charges

The company has deductible temporary differences of £1,381,000 (2005 £1,367,000) and tax losses of £nil (2005 £nil) to be carried forward indefinitely and offset against future taxable profits

A net deferred tax asset of £414,000 (2005 £410,000) in respect of deductible temporary differences and tax losses has not been recognised due to uncertainty of future taxable profits

Notes to the financial statements

at 31 December 2006

8. Trade and other receivables

	2006 £'000	2005 £'000
Trade receivables	28,782	30,195
Other receivables	20	140
Amounts owed by group undertakings	1,308	904
Amounts owed by fellow subsidiary undertakings	288,520	229,939
Prepayments and accrued income	57,610	66,133
	<u>376,240</u>	<u>327,311</u>

For terms and conditions relating to related party receivables refer to note 15

9. Cash and short-term deposits

	2006 £'000	2005 £'000
Cash at bank and in hand	14,098	4,236
Short-term deposits	-	-
	<u>14,098</u>	<u>4,236</u>

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

The company, in association with its immediate parent company and other subsidiary undertakings, operates a bank netting facility. A Letter of Comfort from Gaz de France International SA and a debenture and cash cover held in the name of the company's bankers provides security for this facility.

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

	2006 £'000	2005 £'000
Cash at bank and in hand	14,098	4,236
Short-term deposits	-	-
Bank overdraft	-	-
	<u>14,098</u>	<u>4,236</u>

Notes to the financial statements

at 31 December 2006

10. Trade and other payables

	2006 £'000	2005 £'000
Trade creditors	1,224	1,344
Amounts owed to group undertakings	-	38
Amounts owed to fellow subsidiary undertakings	373,380	316,721
Other creditors	404	180
Other taxation and social security	14,889	13,731
Accruals and deferred income	759	384
	<u>390,656</u>	<u>332,398</u>

For terms and conditions relating to related party receivables refer to note 15

11. Financial liabilities

	2006 £'000	2005 £'000
Current		
Bank loans and overdrafts	<u>-</u>	<u>-</u>

The company, in association with its immediate parent company and other subsidiary undertakings, operates a bank netting facility. 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.

12. Financial Instruments

The company's exposure to financial instruments is limited to the use of cash balances and floating rate loans to satisfy funding requirements.

Interest rate risk profile of financial assets and liabilities

As at 31 December 2006, the company had cash and cash equivalents of £14,098,000 (2005 £4,236,000), and as at 31 December 2006, the company had an overdraft of £nil.

As at 31 December 2006, the company had amounts owed by fellow subsidiary undertakings of £288,520,000 (2005 £229,939,000). Interest is charged on these balances at a rate of Barclays Bank Plc Base Rate + 1.00%.

As at 31 December 2006, the company had amounts owed by group undertakings of £1,308,000 (2005 £904,000). Interest is charged on these balances at a rate of Barclays Bank Plc Base Rate + 1.00%.

As at 31 December 2006, the company had amounts owed to fellow subsidiary undertakings of £373,380,000 (2005 £316,721,000). Interest accrues on these balances at a rate equal to Barclays Bank Base Rate + 1%.

Notes to the financial statements

at 31 December 2006

12. Financial Instruments (continued)

As at 31 December 2006, the company had amounts owed to group undertakings of nil (2005 £38,000) Interest accrues on these balances at a rate equal to Barclays Bank Base Rate +1%

All of these interest rates are floating and in each case the principal is payable within one year Interest on financial instruments classified as floating rate varies according to the underlying reference rate

The other financial assets and financial liabilities of the company are non-interest bearing and therefore are not subject to interest rate risk

Credit risk

There are no significant concentrations of credit risk within the company The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date

Fair values of financial assets and financial liabilities

Set out below is an analysis by category of the fair values of all the company's financial assets and liabilities in the financial statements Note that in all cases the fair value is equal to the carrying value of those assets and liabilities

	2006 £'000	2005 £'000
<i>Financial Assets</i>		
Cash and short term deposits	14,098	4,236
Amounts owed by fellow subsidiary undertakings	288,520	229,939
Amounts owed by group undertakings	1,308	904
<i>Financial Liabilities</i>		
Bank Overdraft	-	-
Amounts owed to fellow subsidiary undertakings	373,380	316,721
Amounts owed to group undertakings	-	38

Hedges

The company does not enter into cash flow hedges, fair value hedges or hedges of a net investment in a foreign operation

13. Equity share capital

	2006 £'000	2005 £'000
<i>Authorised</i>		
100 ordinary shares of £1 each	-	-
<i>Called up, allotted and fully paid</i>		
1 ordinary share of £1 each	-	-

Notes to the financial statements

at 31 December 2006

14. Reconciliation of movements in equity

	<i>Equity Share Capital £'000</i>	<i>Retained Earnings £'000</i>	<i>Total Equity £'000</i>
At 1 January 2005	-	(4,362)	(4,362)
Profit for the year	-	3,511	3,511
At 31 December 2005	-	(851)	(851)
Profit for the year	-	533	533
At 31 December 2006	-	(318)	(318)

15. Related party transactions

The company's immediate parent undertaking is Gaz de France ESS (UK) Ltd, a company registered in England and Wales

Gaz de France Marketing Limited, Gaz de France Solutions Limited, Gaz de France Generation Limited and Gaz de France Services Limited are all 100% owned subsidiaries of Gaz de France ESS (UK) Ltd. All of these fellow subsidiary undertakings are registered in England and Wales and consolidated within the financial statements for Gaz de France ESS (UK) Ltd

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

The ultimate parent undertaking of the company is Gaz de France, a company registered in France. Copies of Gaz de France's company financial statements can be obtained from Gaz de France, 23 rue Philibert Delorme, 75840, Paris, Cedex 17, France.

Cofathec Heatsave Limited is a fellow subsidiary, with its ultimate parent undertaking also being Gaz de France.

Gaz de France Britain Limited is a fellow subsidiary, with its ultimate parent undertaking also being Gaz de France.

Investment Gas Holland Limited is a fellow subsidiary, with its ultimate parent undertaking also being Gaz de France.

Notes to the financial statements

at 31 December 2006

15. Related party transactions (continued)

2006

	<i>Sales</i>	<i>Purchases</i>	<i>Interest receivable</i>	<i>Interest payable</i>	<i>Amount owed from</i>	<i>Amount owed to</i>
	£'000	£'000	£'000	£'000	£'000	£'000
Cofathec Heatsave Limited	3,996	-	-	-	1,308	-
Gaz de France ESS (UK) Ltd	-	-	-	11	-	213
Gaz de France Solutions Limited	-	588,012	149	16,706	-	373,167
Gaz de France Marketing Limited	328	-	13,483	-	277,863	-
Gaz de France Services Limited	-	-	35	-	647	-
Gaz de France Generation Limited	-	-	381	-	10,010	-

2005

	<i>Sales</i>	<i>Purchases</i>	<i>Interest receivable</i>	<i>Interest payable</i>	<i>Amount owed from</i>	<i>Amount owed to</i>
	£'000	£'000	£'000	£'000	£'000	£'000
Cofathec Heatsave Limited	1,949	-	-	-	904	-
Investment Gas Holland Limited	-	-	-	-	-	38
Gaz de France ESS (UK) Ltd	-	-	-	449	-	202
Gaz de France Solutions Limited	-	423,152	-	11,073	-	316,519
Gaz de France Marketing Limited	-	4,281	9,010	-	224,357	-
Gaz de France Services Limited	-	-	33	-	613	-
Gaz de France Generation Limited	-	-	69	-	4,969	-

Terms and conditions of transactions

The sales relating to Cofathec Heatsave 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 cost recharge from Gaz de France Marketing Limited, represents the company's share of the operational overheads incurred by Gaz de France Marketing Limited on behalf of the company

The cost recharge from Gaz de France Solutions Limited, represents the company's share of the gas purchases made by Gaz de France Solutions Limited on behalf of the company

The Gaz de France ESS (UK) Ltd group operates a bank netting facility between its constituent companies. A Letter of Comfort from Gaz de France International SA provides security for this facility (note 13). As a result of this bank netting facility, cash is transferred between the bank accounts of the Gaz de France ESS (UK) Ltd group's constituent companies in order to remain within the bank covenants

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

Neither Director is compensated by the company and there have been no transactions with the Directors during the year