

Registered number
4935008

Independent Power Networks Ltd

Report and Financial Statements

31 December 2012



Independent Power Networks Ltd
Company Information

Directors

D Corney
D Overman
C Linsdell
N Shaw

Secretary

C Mumford

Auditors

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

Registered office

Energy House
Woolpit Business Park
Windmill Avenue
Woolpit
Bury St Edmunds
Suffolk
IP30 9UP

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Directors' Report

The directors present their report and financial statements for the period ended 31 December 2012. The comparative figures are for the twelve months ended 30 June 2012.

Results and dividends

The profit for the period, after taxation, amounted to £380,938 (30 June 2012: £271,375). The directors do not recommend the payment of a dividend (30 June 2012: £nil).

Principal activity and review of business

The company owns and operates electric distribution networks in the UK.

On 12th November 2012 Brookfield Utilities UK No2 Limited (BUUK2) unconditionally acquired 100% of Inexus Group Ltd. The ultimate controlling entity of BUUK2 is Brookfield Infrastructure Partners LLP (BIP). BIP owns and operates premier utilities, transport and energy, and timber assets in North and South America, Australasia and Europe.

BUUK2 also owns The Gas Transportation Company group (GTC), a licenced utility infrastructure owner provider within BIP's existing company portfolio. It is proposed to bring the businesses together within a newly created group, Brookfield Utilities UK (BUUK), which will be a strong participant in the independent utility market.

BUUK2 is rated Baa2 stable outlook by Moody's Investors Service.

Social, environmental and ethical policy

The company is a member of the Inexus Group Limited group of companies and accordingly adheres to the group's Social, Environmental and Ethical Policy.

The group recognises that its business activities and practices, and those of its suppliers, may have an impact on its employees, society and the environment. As such the group has developed its own policies and procedures to ensure compliance with these matters. The group expects all employees and its suppliers to work to that Code, which as a minimum standard requires compliance with any relevant international and national, legal or regulatory framework. In addition, the group has maintained registration of ISO 14001 environmental accreditation.

Health and safety

The directors are committed to achieving high standards of health and safety in the group's business activities for employees and customers alike. Policies and procedures are established to maintain continued provision of safe and healthy working and retailing conditions compliant with statutory requirements and appropriate codes of practice. The group possesses OHSAS 18001 Health and Safety Accreditation and operates to an ISO 9001 quality standard. In addition, it possesses many technical accreditations to ensure compliance with industry standards including NERS, GIRS, WIRS, MURS, MAMCOP, PAS 55 and Gas Safe Register.

Equal opportunities

A fair and equal opportunities culture is operated throughout the group. Employment opportunities, whether in the recruitment, training or promotion of employees, are granted on merit irrespective of race, colour, religion, national origin, age, gender, disability or sexual orientation.

Full consideration and equal opportunities are given to employment applications from disabled persons with due regard to the requirements of the job. Where existing employees become disabled every effort is made to provide opportunities for continued employment within the group supported with training and development as appropriate.

Employee involvement

The directors recognise the integral importance of their employees in achieving group success. Employee involvement in the development of the business is encouraged through an open and honest working environment, effective communication of business objectives and performance and actively seeking the opinions and concerns of the wider business team.

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Directors' Report (Continued)**Directors**

The following persons served as directors during the period

R Ward (resigned 17 December 2012)
D Corney
J Marsh (resigned 25 January 2013)
D Overman (appointed 25 January 2013)
C Linsdell (appointed 25 January 2013)
N Shaw (appointed 25 January 2013)

Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' report and financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping proper 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.

Going concern

At 31 December 2012 the Inexus Group Limited had net liabilities of £225.6m. These include liabilities to investor shareholders in respect of preference shares and loan notes which are governed by stapling arrangements, together with accrued preference dividends and interest thereon. If these obligations to shareholders were considered as part of equity the Group balance sheet total would be

	£m
Net liabilities as reported	(225.6)
Add back	
Preference shares	157.5
Investor loan	30.0
Preference dividend and loan note interest accrued, unpaid	66.1
Net assets (proforma)	28.0

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Directors' Report (Continued)**Going concern (continued)**

As part of a strategic review carried out by the principal shareholder Challenger Infrastructure Fund, offers were invited to acquire their interests in the Group. As part of this process, the existing loan facilities were extended to 30 November 2012.

On 12th November 2012 Brookfield Utilities UK No2 Limited (BUUK2) unconditionally acquired 100% of Inexus Group Ltd. The ultimate controlling entity of BUUK2 is Brookfield Infrastructure Partners LLP (BIP). BIP owns and operates premier utilities, transport and energy, and timber assets in North and South America, Australasia and Europe.

BUUK2 also owns The Gas Transportation Company group (GTC), a licenced utility infrastructure owner provider within BIP's existing company portfolio. It is proposed to bring the businesses together within a newly created group, Brookfield Utilities UK (BUUK), which will be a strong participant in the independent utility market.

As a consequence of this combination, the groups' loan facilities have subsequently been assigned to BUUK2. BUUK2 has funded the enlarged group through an equity injection of £340m and the securing of £600million of new term loan facilities for the BUUK2 group which expire in November 2014. On 17 April 2013, BUUK completed the refinancing of the group with the raising of £600m of Loan Notes with maturity dates of 2023, 2025, 2028 and 2033 and an average term of 13.4 years. The £600m raised through the Loan Notes was used to repay existing November 2014 maturity loans. The long term financing will support the future growth of the combined businesses.

On the basis of the financing facilities available together with the business plans which confirm the adequacy of the current facilities for a period of at least the next 12 months, and which support the funding strategy in the longer term, the directors have a reasonable expectation that the group has adequate resources to continue in operation for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Auditors

Following the acquisition by BUUK2, Ernst & Young LLP will resign as the company's auditor. A resolution to appoint Deloitte LLP as the company's auditors in line with the BIP group will be put to the forthcoming Annual General Meeting.

Directors' statement as to disclosure of information to auditors

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 auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are 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 auditors are aware of that information.

This report was approved by the board on 12 June 2013 and signed on its behalf

D Corney
Director



**Independent Auditors' Report
to the members of Independent Power Networks Ltd**

We have audited the financial statements of Independent Power Networks Ltd for the six month period ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 (APB'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 Directors' report 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 the 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 2012 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period 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.

Ernst & Young LLP

Paul Mapleston
(Senior Statutory Auditor)
for and on behalf of
Ernst & Young LLP
Statutory Auditor

21 June 2013

The Paragon
Counterslip
Bristol

BS1 6BX

Independent Power Networks Ltd
Profit and Loss Account
for the six month period from 1 July 2012 to 31 December 2012

	Notes	31 December 2012 £	30 June 2012 £
Turnover	3	2,719,324	4,130,541
Cost of sales		(1,866,210)	(2,953,299)
Gross profit		<u>853,114</u>	<u>1,177,242</u>
Administrative expenses		(128,448)	(224,265)
Operating profit	4	<u>724,666</u>	<u>952,977</u>
Interest receivable		131,258	94,849
Interest payable	6	(344,616)	(667,964)
Profit on ordinary activities before taxation		<u>511,308</u>	<u>379,862</u>
Tax on profit on ordinary activities	7	(130,370)	(108,487)
Profit for the period	12	<u>380,938</u>	<u>271,375</u>

Turnover and operating profit are wholly derived from continuing operations

The company has no recognised gains or losses other than the profit for the above two periods

The notes on pages 8 to 12 form part of these financial statements

Independent Power Networks Ltd
Balance Sheet
as at 31 December 2012

	Notes	31 December 2012 £	30 June 2012 £
Fixed assets			
Tangible assets	8	10,162,502	9,302,031
Current assets			
Debtors	9	1,404,996	2,404,653
Cash at bank and in hand		22,145	10,612
		<u>1,427,141</u>	<u>2,415,265</u>
Creditors amounts falling due within one year	10	(10,270,168)	(10,778,759)
Net current liabilities		<u>(8,843,027)</u>	<u>(8,363,494)</u>
Total assets less current liabilities		<u>1,319,475</u>	<u>938,537</u>
Net assets		<u>1,319,475</u>	<u>938,537</u>
Capital and reserves			
Called up share capital	11	25,001	25,001
Profit and loss account	12	1,294,474	913,536
Shareholders' funds	12	<u>1,319,475</u>	<u>938,537</u>



D Corney
Director

Approved by the board on 12 June 2013

The notes on pages 8 to 12 form part of these financial statements

Independent Power Networks Ltd

Notes to the Accounts

for the six month period from 1 July 2012 to 31 December 2012

1 Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group's Business Review which forms part of the directors' report of Inexus Group Limited. The directors' report also describes the financial position of the group, its liquidity position and borrowing facilities.

The group incurred a net loss of £22,435,614 during the six month period ended 31 December 2012 and, as of that date, the group's liabilities exceeded its total assets by £225,573,923.

As part of the acquisition by Brookfield Utilities No2 Limited (BUUK2) the existing Inexus loan facilities were extended to 30 November 2012. These have subsequently been assigned to BUUK2. BUUK2 has been funded through an equity injection of £340m and the securing of £600million of new term loan facilities which expire in November 2014. On 17 April 2013, BUUK completed the refinancing of the group with the raising of £600m of Loan Notes with maturity dates of 2023, 2025, 2028 and 2033 and an average term of 13.4 years. The £600m raised through the Loan Notes was used to repay existing November 2014 maturity loans.

On the basis of the financing facilities available together with the business plans which confirm the adequacy of the current facilities for a period of at least the next 12 months, and which support the funding strategy in the longer term, the directors have a reasonable expectation that the group has adequate resources to continue in operation for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

The company is dependent on continuing finance being made available by its immediate parent undertaking to enable it to continue operating and to meet its liabilities as they fall due.

2 Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Cash flow statement

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No. 1 (revised) on the grounds that it is a wholly owned subsidiary undertaking.

Fixed assets

Fixed assets represent the purchase cost of electric infrastructure assets.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off their cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset over its estimated useful life as follows:

Electric infrastructure	40 years
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The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Independent Power Networks Ltd

Notes to the Accounts

for the six month period from 1 July 2012 to 31 December 2012

3 Turnover

Turnover represents the amounts receivable from the supply of goods and services during the period, net of Value Added Tax. All turnover and profit before taxation, by origin and destination, was attributable to the UK.

4 Operating profit

	31 December 2012 £	30 June 2012 £
This is stated after charging		
Depreciation of owned fixed assets	128,448	224,150

Auditors remuneration for the group as a whole has been included in the financial statements of Inexus (Services) Limited, a fellow subsidiary company, and amounts to

	31 December 2012 £	30 June 2012 £
Auditors' remuneration		
Audit of the financial statements	97,394	126,333
Other assurance services (IFRS group reporting)	100,000	-
Other fees to auditors		
Taxation services	52,502	119,500

5 Directors' emoluments and staff costs

The directors received no emoluments in the period (30 June 2012 £nil). The directors are directors/employees of other group companies and the services that they provide to the company are considered ancillary to the services that they provide to those other group companies. The company had no employees during the period with all administrative tasks undertaken by employees of subsidiary undertakings.

6 Interest payable

	31 December 2012 £	30 June 2012 £
Interest payable to fellow subsidiary undertakings	344,616	667,964

7 Tax

	31 December 2012 £	30 June 2012 £
(a) Tax on profit on ordinary activities		
The tax charge is made up as follows		
Current tax.		
Group relief charge in respect of the current period	153,542	154,023
Deferred tax.		
Origination and reversal of timing differences	(29,543)	(53,796)
Effect of decreased tax rate on opening asset	6,371	8,260
Total deferred tax credit (note 9)	(23,172)	(45,536)
Tax on profit on ordinary activities	130,370	108,487

Independent Power Networks Ltd

Notes to the Accounts

for the six month period from 1 July 2012 to 31 December 2012

7 Tax (continued)

(b) Factors affecting tax charge

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 24% (30 June 2012 25.5%)

	31 December 2012 £	30 June 2012 £
Profit on ordinary activities before tax	511,308	379,862
Standard rate of corporation tax in the UK	24.0%	25.5%
Profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 24.0% (30 June 2012 25.5%)	122,714	96,865
Effects of Decelerated capital allowances	30,828	57,158
Current tax charge for period	153,542	154,023

(c) Factors that may affect future tax charges

Announcements were made during the period by the Chancellor of the Exchequer of proposed changes to corporation tax rates which will have an effect on the future tax charge of the company. Reductions in the corporation tax rate to 23% from 1 April 2013 were substantively enacted during the period. Consequently deferred tax has been calculated at the period end using a tax rate of 23%. A further reduction to 20% from 1 April 2015 has been announced in the recent budget, this has not yet been enacted.

Had the financial effect of the change in tax rate to 20% been recognised, there would have been a reduction in the balance of deferred tax asset of £22,967 to £153,115.

8 Tangible fixed assets

	Electric Infrastructure £
Cost	
At 1 July 2012	9,939,163
Additions	988,919
At 31 December 2012	10,928,082
Depreciation	
At 1 July 2012	637,132
Charge for the period	128,448
At 31 December 2012	765,580
Net book value	
At 31 December 2012	10,162,502
At 30 June 2012	9,302,031

9 Debtors

	31 December 2012 £	30 June 2012 £
Amounts due within one year		
Trade debtors	553,402	463,161
Amounts owed by immediate parent company	-	1,385,548
Amounts owed by fellow subsidiary undertakings	68,990	58,289
Deferred tax asset	176,083	152,911
Prepayments and accrued income	606,521	344,744
	1,404,996	2,404,653

Independent Power Networks Ltd

Notes to the Accounts

for the six month period from 1 July 2012 to 31 December 2012

9 Debtors (continued)

Amounts owed by group undertaking are unsecured and repayable on demand. Interest charged is variable, at LIBOR plus 6.75%, and calculated monthly.

The deferred tax asset included in the balance sheet is as follows:

	31 December 2012	30 June 2012
	£	£
Decelerated capital allowances	176,083	152,911
Deferred tax asset	176,083	152,911
	£	£
Opening balance	152,911	107,375
Deferred tax credit in profit and loss account (note 7)	23,172	45,536
Closing balance	176,083	152,911

10 Creditors: amounts falling due within one year

	31 December 2012	30 June 2012
	£	£
Amounts owed to immediate parent company	10,204,864	-
Amounts owed to fellow subsidiary undertakings	65,304	10,778,759
	10,270,168	10,778,759

Amounts owed to fellow subsidiary undertakings are unsecured and repayable on demand. Interest is charged on non-trading balances at a variable rate of LIBOR plus 6.75%, and calculated monthly.

11 Share capital

	Nominal value	31 December 2012	30 June 2012
		£	£
Allotted, issued and fully paid			
Ordinary shares	£1 each	25,001	25,001

12 Reconciliation of movement in shareholders' funds and movement on reserves

	Share capital	Profit and loss account	Total shareholders' funds	Total shareholders' funds
			31 December 2012	30 June 2012
	£	£	£	£
At 1 July	25,001	913,536	938,537	667,162
Profit for the financial period	-	380,938	380,938	271,375
At 31 December	25,001	1,294,474	1,319,475	938,537

13 Capital commitments

At 31 December 2012 amounts contracted but not provided in the financial statements amounted to £20.8m (30 June 2012 - £15.4m).

Independent Power Networks Ltd

Notes to the Accounts

for the six month period from 1 July 2012 to 31 December 2012

14 Related party transactions

The company has taken advantage of the exemption in paragraph 3(c) of FRS 8 from disclosing transactions with related parties that are part of the Inexus Group Limited group

15 Ultimate parent undertaking

The company's immediate parent undertaking is Inexus Group (Holdings) Ltd, a company registered in England and Wales

The smallest and largest group of which the company is a member and for which group financial statements are prepared is Inexus Group Limited, a company registered in England and Wales. A copy of the group financial statements can be obtained from Driscoll 2, Ellen Street, Cardiff, CF10 4BP

Following the acquisition the ultimate parent undertaking and the ultimate controlling party is Brookfield Infrastructure Partners L P a company quoted on the New York Stock Exchange and the Toronto Stock Exchange. A copy of the company's financial statements can be obtained from 181 Bay Street Office, Brookfield Place, Toronto, ON M5J 2T3