

Registered number
04935008

Independent Power Networks Limited

Annual Report and Financial Statements

For the year ended
31 December 2013

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Independent Power Networks Limited
Company Information

Directors

D Corney
D Overman
C Linsdell

Company Secretary

C Mumford
S Lee

Auditors

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

Registered office

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

Registered number

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Independent Power Networks Limited

Registered number: 04935008

Strategic Report

The Directors present their strategic report, annual report and audited financial statements for the year ended 31 December 2013. The comparative figures are for the six months ended 31 December 2012. The Directors in preparing this Strategic report, have complied with S414C of the Companies Act 2006.

Results

The profit for the year, after taxation, amounted to £446,200 (six months period to 31 December 2012: £380,938). Turnover has increased by 14% as a result of the expansion of the groups electric infrastructure assets. In addition gross profit increase by a prorated 11.6%. The Company's balance sheet remained in a strong position, despite having net current liabilities of £10,814,151, this was due to intercompany loans for which the Company has received assurances that these loans will not be recalled within 12 months of the date of this report unless the Company is in a position to do so.

Principal activity and review of business

The company owns and operates electric distribution networks in the UK. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year. The Company operates as part of the Brookfield Utilities UK Group and the Directors of the group do not consider individual entities in the group to have individual key performance indicators (KPI's). The Group's results are considered as a whole, and details of the performance can be found in the consolidated group accounts prepared by Brookfield Utilities UK No2 Limited.

Principal risks and uncertainties

The key risks to the Company are the responsibilities it has under the licence and network code, credit control, revenue risk and risk associated with the construction of its infrastructure assets.

The Company ensures the discharge of all licence and network code obligations via a "Group Services Agreement" entered into with The Gas Transportation Company Limited.

Credit risks are mitigated via the prompt monthly billing of income due to the Company and robust follow up procedures for unpaid amounts.

The relative price control (RPC) system helps to mitigate against the effects of inflation via the linking of IDNO revenues to movements in upstream regulated distribution network operator revenues.

The Company does not engage in any construction activities and therefore avoids all construction related risks as part of fixed price contracts. Instead, new networks are gained via commercial adoption arrangements with Lloyds accredited construction businesses.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. Further details regarding the adoption of the going concern basis can be found in note 1 of the financial statements.

Social, environmental and ethical policy

The Company is a member of the Brookfield Utilities UK Group (the '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.

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.

This report was approved by the board on 29 July 2014 and signed on its behalf.



D Conroy
Director

Independent Power Networks Limited
Registered number: 04935008
Directors' Report

Dividends

The directors do not recommend the payment of a dividend (31 December 2012 £nil).

Directors

The following persons served as Directors during the year:

D Corney	
D Overman	- appointed 25 January 2013
C Linsdell	- appointed 25 January 2013
J Marsh	- resigned 25 January 2013
N Shaw	- appointed 25 January 2013 - resigned 31 December 2013

Directors' responsibilities statement

The Directors are responsible for preparing the annual 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 financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records 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

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. Further details regarding the adoption of the going concern basis can be found in note 1 of the financial statements.

Auditors

Deloitte LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint them as the Company's auditors 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 annual 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 relevant to the preparation of 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 report was approved by the board on **29 July 2014** and signed on its behalf.

D Corney
Director



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

We have audited the financial statements of Independent Power Networks Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 13. 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 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 auditors

As explained more fully in the Directors' responsibilities statement set out on page 2, 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 and of its profit for the year 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.

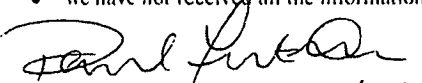
Opinion on other matters prescribed by the Companies Act 2006

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


29/7/14

Paul Fletcher
(Senior Statutory Auditor)
for and on behalf of
Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

Independent Power Networks Limited
Profit and Loss Account
for the year ended 31 December 2013

	Notes	31 December 2013 £	6 months ended 31 December 2012 £
Turnover	2	6,212,089	2,719,324
Cost of sales		(4,308,010)	(1,866,210)
Gross profit		<u>1,904,079</u>	<u>853,114</u>
Administrative expenses		(336,000)	(128,448)
Operating profit	3	<u>1,568,079</u>	<u>724,666</u>
Interest receivable		4,466	131,258
Interest payable	4	(948,022)	(344,616)
Profit on ordinary activities before taxation		<u>624,523</u>	<u>511,308</u>
Tax on profit on ordinary activities	5	(178,323)	(130,370)
Profit for the financial year	10	<u>446,200</u>	<u>380,938</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 financial periods.

The notes on pages 7 to 11 form part of these financial statements

Independent Power Networks Limited
Balance Sheet
as at 31 December 2013

	Notes	31 December 2013		31 December 2012	
		£	£	£	£
Fixed assets					
Tangible assets	6		12,579,826		10,162,502
Current assets					
Debtors	7	2,520,100		1,404,996	
Cash at bank and in hand		11		22,145	
		<u>2,520,111</u>		<u>1,427,141</u>	
Creditors: amounts falling due within one year	8	(13,334,262)		(10,270,168)	
Net current liabilities			<u>(10,814,151)</u>		<u>(8,843,027)</u>
Total assets less current liabilities			<u>1,765,675</u>		<u>1,319,475</u>
Net assets			<u>1,765,675</u>		<u>1,319,475</u>
Capital and reserves					
Called up share capital	9		25,001		25,001
Profit and loss account	10		1,740,674		1,294,474
Shareholders' funds	10		<u>1,765,675</u>		<u>1,319,475</u>

The financial statements of Independent Power Networks Limited (registration number 04935008), were approved by the board of directors and authorised for issue on **29 July 2014** and signed on its behalf by:


D Corney
Director

The notes on pages 7 to 11 form part of these financial statements

Independent Power Networks Limited
Notes to the Financial Statements
for the year ended 31 December 2013

1 Accounting policies

Going concern

The Company forms part of the Group known as Brookfield Utilities UK ("BUUK", the "Group") of which the ultimate parent undertaking is Brookfield Infrastructure Partners L.P. At 31 December 2013 the Group had the following sources of funding:

- Senior Secured Loan notes denominated in GBP (£400 million) and US\$ (US\$300 million). The loan notes are privately placed and have maturity dates ranging from 2023 to 2033. The loan notes are fully drawn down and incur a fixed rate of interest. Cross currency interest rate swaps have been taken out to fix the US\$ denominated interest and capital repayments.
- Bank facilities with a syndicate of banks. In total the Group has facilities of £140 million. As at 31 December 2013 £106.6 million of the facilities remained undrawn. The debt facilities mature in 2017 or 2034 depending on the facility. Interest is paid on a margin above LIBOR.
- Convertible Loan Notes redeemable in 2044 of £158.5 million.

The Group has access to sufficient funds to continue in operational existence for the foreseeable future and therefore adopts the going concern basis in preparing its financial statements.

The Company is financed by intercompany loans. All companies within the BUUK Group have given assurances that intercompany loans in existence at the Balance Sheet date will not be recalled within a period of one year from the date of signing of the financial statement, unless a Company is in a position to make repayment. The Company's forecasts, taking into account of reasonably possible changes in trading performance to December 2017, show that the Company should have adequate resources to continue in operational existence for the foreseeable future. Therefore, despite the ongoing economic uncertainty, the Directors have a reasonable expectation that the Company can continue to meet its liabilities as they fall due, for a period of at least 12 months from the date of this annual report. Accordingly, they have prepared financial statements on the going concern basis.

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 Limited
Notes to the Financial Statements
for the year ended 31 December 2013

2 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.

3 Operating profit

	Year ended 31 December 2013	6 months ended 31 December 2012
	£	£
This is stated after charging:		
Depreciation of owned fixed assets	312,436	128,448

Audit fees for the company are £9,900 (6 months ended 31 December 2012 - £3,420); audit fees are borne by Brookfield Utilities UK No 2 Limited (2012 - Inexus (Services) Limited) with no right of reclaim.

The Directors received no emoluments in the year (6 months to 31 December 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 year with all administrative tasks undertaken by employees of fellow group undertakings.

4 Interest payable

	Year ended 31 December 2013	6 months ended 31 December 2012
	£	£
Interest payable to immediate parent undertaking	948,022	-
Interest payable to fellow subsidiary undertakings	-	344,616

5 Tax

	Year ended 31 December 2013	6 months ended 31 December 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 year/period	217,843	153,542
Deferred tax:		
Origination and reversal of timing differences	(62,487)	(29,543)
Effect of decreased tax rate on opening asset	22,967	6,371
Total deferred tax credit (note 7)	(39,520)	(23,172)
Tax on profit on ordinary activities	178,323	130,370

Independent Power Networks Limited
Notes to the Financial Statements
for the year ended 31 December 2013

5 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 23.25% (31 December 2012: 24%)

	Year ended 31 December 2013	6 months ended 31 December 2012
	£	£
Profit on ordinary activities before tax	624,523	511,308
Standard rate of corporation tax in the UK	23.25%	24.0%
Profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 23.25% (6 months ended 31 December 2012: 24.0%).	145,202	122,714
Effects of:		
Decelerated capital allowances	72,641	30,828
Current tax charge for year / period	<u>217,843</u>	<u>153,542</u>

(c) Factors that may affect future tax charges

The Finance Act 2013, which provides for a reduction in the main rate of corporation tax from 23% to 21% effective from 1 April 2014, was substantively enacted on 3 July 2013. This rate reduction has been reflected in the calculation of deferred tax at the Balance Sheet date.

The Government enacted a future reduction in the main tax rate down to 20% effective from 1 April 2015. This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date.

6 Tangible fixed assets

	Electric Infrastructure £
Cost	
At 1 January 2013	10,928,082
Additions	<u>2,729,760</u>
At 31 December 2013	<u>13,657,842</u>
Depreciation	
At 1 January 2013	765,580
Charge for the year	<u>312,436</u>
At 31 December 2013	<u>1,078,016</u>
Net book value	
At 31 December 2013	<u>12,579,826</u>
At 31 December 2012	<u>10,162,502</u>

7 Debtors

	31 December 2013	31 December 2012
	£	£
Amounts due within one year		
Trade debtors	717,366	553,402
Amounts owed by fellow subsidiary undertakings	957,814	68,990
Deferred tax asset	215,603	176,083
Prepayments and accrued income	<u>629,317</u>	<u>606,521</u>
	<u>2,520,100</u>	<u>1,404,996</u>

Independent Power Networks Limited
Notes to the Financial Statements
for the year ended 31 December 2013

7 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 2013	31 December 2012
	£	£
Decelerated capital allowances	215,603	176,083
Deferred tax asset	<u>215,603</u>	<u>176,083</u>
	£	£
Opening balance	176,083	152,911
Deferred tax credit in profit and loss account (note 5)	39,520	23,172
Closing balance	<u>215,603</u>	<u>176,083</u>

8 Creditors: amounts falling due within one year

	31 December 2013	31 December 2012
	£	£
Trade creditors	188,395	-
Amounts owed to immediate parent company	10,675,093	10,204,864
Amounts owed to fellow subsidiary undertakings	1,331,636	65,304
Other taxes and social security costs	75,172	-
Accruals and deferred income	<u>1,063,966</u>	<u>-</u>
	<u>13,334,262</u>	<u>10,270,168</u>

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% (2012 - 6.75%), and calculated monthly

9 Called-up share capital

	Nominal value	31 December 2013	31 December 2012
		£	£
Allotted, issued and fully paid:			
Ordinary shares	£1 each	<u>25,001</u>	<u>25,001</u>

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

	Share capital	Profit and loss account	Total shareholders' funds	Total shareholders' funds
			31 December 2013	31 December 2012
	£	£	£	£
At 1 January / 1 July	25,001	1,294,474	1,319,475	938,537
Profit for the financial year	-	446,200	446,200	380,938
At 31 December	<u>25,001</u>	<u>1,740,674</u>	<u>1,765,675</u>	<u>1,319,475</u>

11 Capital commitments

At 31 December 2013 amounts contracted but not provided in the financial statements amounted to £10.4m (31 December 2012 - £20.8m).

Independent Power Networks Limited
Notes to the Financial Statements
for the year ended 31 December 2013

12 Related party transactions

As 100% of the issued share capital of the Company is owned by a Group which consolidated financial statements are publicly available it is not required to disclose transactions with other wholly-owned Group undertakings that would otherwise be required under Financial Reporting Standard 8 'Related Party Disclosures'.

13 Ultimate parent undertaking

The Company's immediate parent undertaking is Inexus Group (Holdings) Ltd, a Company registered in England and Wales. The Company's ultimate parent undertaking and controlling party is Brookfield Infrastructure Partners L.P., which is registered in Bermuda.

The smallest Group of which the Company is a member and for which Group financial statements are prepared is Brookfield Utilities UK No 2 Limited, a Company registered in England and Wales. The largest Group the Company is a member and for which Group financial statements are prepared is Brookfield Infrastructure Partners L.P., which is registered in Bermuda.

Brookfield Infrastructure Partners L.P.'s financial statements can be obtained from: Brookfield Infrastructure Partners L.P., Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda.