

Kellen Acquisitions Limited
(Formerly Tablegrain Limited)

Financial statements

Period ended 31 December 2005

Company number: 05366060

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Kellen Acquisitions Limited
(Formerly Tablegrain Limited)

Directors' report and financial statements

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Kellen Acquisitions Limited
(Formerly Tablegrain Limited)

Directors' and other information

Directors

A P Chadd
L Levi
Q R Stewart

Secretary

Taylor Wessing Secretaries Limited

Auditors

KPMG LLP
8 Salisbury Square
London
EC4Y 8BB

Registered office

Carmelite
50 Victoria Embankment
Blackfriars
London
EC4Y 0DX

Company registration number

05366060

Kellen Acquisitions Limited

(Formerly Tablegrain Limited)

Directors' report

The company was incorporated as Tablegrain Limited on 16 February 2005 and changed its name to Kellen Acquisitions Limited on 1 April 2005.

The directors present their report and the audited financial statements for the period from the date of incorporation to 31 December 2005.

Principal activities

The principal activity of the company is that of a holding company.

Review of business and future developments

The directors consider the results for the year to be satisfactory.

Results and dividends

The loss for the financial period is £6.5 million. No dividend is recommended.

Political and charitable donations

The group made no political or charitable donations during the period.

Directors and their interests

The following directors served during the period:

Instant Companies Limited (Appointed on incorporation, Resigned 24 March 2005)
I Dyke (Appointed 24 March 2005, Resigned 14 November 2005)
A P Chadd (Appointed 14 November 2005)
L Levi (Appointed 14 November 2005)
Q R Stewart (Appointed 24 March 2005)

None of the directors have an interest in the shares of the company.

Employment policies

It is the policy of the group to ensure that there is no discrimination regarding the employment, training, career development and promotion of employees who are handicapped.

Within the bounds of commercial confidentiality, information is disseminated to all levels of staff about matters that affect progress of the group and are of interest and concern to them as employees, thereby encouraging their involvement in the group's performance.

Share capital

The company issued 10,001 ordinary shares of £1 each and 61,623,000 11% cumulative redeemable preference shares of £1 each during the period.

Kellen Acquisitions Limited

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Directors' report *(continued)*

Disclosure of information to auditors

The directors who held office at the date of the approval of this directors' report confirm that, as so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

During the year KPMG LLP were appointed by the directors as auditors of the company and have expressed their willingness to continue in office. Their formal reappointment will be proposed at the next annual general meeting.

By order of the board



ANDREW (MAD)



2006

Kellen Acquisitions Limited

(Formerly Tablegrain Limited)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are also responsible for preparing a Directors' Report that complies with the Companies Act 1985.

Independent auditors' report to the members of Kellen Acquisitions Limited (Formerly Tablegrain Limited)

We have audited the financial statements of Kellen Acquisitions Limited for the period ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 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 described in the Statement of Directors' Responsibilities on page 4 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider 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 members of Kellen Acquisitions Limited
(Formerly Tablegrain Limited) *(continued)*

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditors

1 December 2006

Kellen Acquisitions Limited

(Formerly Tablegrain Limited)

Profit and loss account

Period ended 31 December 2005

	<i>Note</i>	2005 £m
Turnover - continuing operations		-
Cost of sales		-
		<hr/>
Gross profit		-
Net operating expenses	2	(0.2)
		<hr/>
Operating loss	2	(0.2)
Interest payable and similar charges	3	(6.4)
Interest received and similar income	4	0.1
		<hr/>
Loss on ordinary activities before taxation		(6.5)
Taxation	5	-
		<hr/>
Loss for the financial year	11	(6.5)
		<hr/> <hr/>

There is no material difference between the company's results as reported and on a historical cost basis. Accordingly no note of historical cost profits and losses has been prepared.

All results of the company derive from continuing operations.

Kellen Acquisitions Limited

(Formerly Tablegrain Limited)

Balance sheet

At 31 December 2005

	Note	31 December 2005	
		£m	£m
Fixed assets			
Investments	6		286.3
			<hr/>
			286.3
Current assets			
Debtors: amounts falling due within one year	7	0.6	
Investments held for resale	6	186.9	
Cash at bank and in hand		5.6	
		<hr/>	
Total current assets		193.1	
Creditors: Amounts falling due within one year	8	(2.0)	
		<hr/>	
Net current assets			191.1
			<hr/>
Total assets less current liabilities			477.4
Creditors: Amounts falling due after more than one year	9		(483.9)
			<hr/>
Net liabilities			(6.5)
			<hr/>
Capital and reserves			
Called up share capital - ordinary	10		-
Profit and loss account	12		(6.5)
			<hr/>
Equity shareholders' funds			(6.5)
			<hr/>
On behalf of the board of directors			

Director



ANDREW CHAD

1st Director 2006

Kellen Acquisitions Limited

(Formerly Tablegrain Limited)

Notes

(forming part of the financial statements)

1 Accounting policies

These financial statements are prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

The company is exempt under section 228 of the Companies Act 1985 from the obligation to prepare group accounts and deliver them to the Registrar of Companies. The financial statements present information about the company as an individual undertaking and not about its group.

In accordance with Financial Reporting Standard 1 (Revised), the company is exempt from preparing a cash flow statement as it is a wholly owned subsidiary undertaking of a company whose accounts include a consolidation cash flow statement.

Investments

Investments are held at cost less provision for diminution in value.

2 Net operating expenses

Net operating expenses are all considered to be administrative expenses.

The company has no employees. The directors of the company receive no remuneration from the company or its subsidiaries. Auditors' remuneration is borne by another group company.

3 Interest payable and similar charges

	2005 £m
On bank loans and overdrafts	1.7
On preference shares	1.0
On shareholder loan notes	3.7
	<hr/>
	6.4
	<hr/>

4 Interest receivable and similar income

	2005 £m
Other	0.1
	<hr/>
	0.1
	<hr/>

Kellen Acquisitions Limited

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Notes (continued)

5 Taxation charge

	2005 £m
UK corporation tax for the period	-
Total current tax charge	-

The current tax charge for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	2005 £m
Current tax reconciliation	
Loss on ordinary activities before tax	(6.5)
Current tax at 30%	(2.0)
Effects of:	
Losses carried forward	2.0
Total current tax charge	-

The directors are not aware of any factors that may have a significant impact on the future tax charge of the company.

6 Investments

	2005 £m
Shares in subsidiary undertakings	
<i>Cost at net book value</i> At 31 December 2005	286.3

The company's investment of £286.3 million represents a 100% interest in the ordinary share capital of East Surrey Energy Investments Limited. The company's principal subsidiaries are:

Company	Country of incorporation	Principal activity
East Surrey Energy Investments Limited	Great Britain	Holding company
Phoenix Natural Gas Limited*	Northern Ireland	Gas distribution
Phoenix Energy Services Limited*	Northern Ireland	Support services in respect of gas appliances and network

* indirectly held

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Notes (continued)

	2005 £m
Current asset investments held for resale	

Shares in subsidiary companies at cost	186.9
----------------------------------------	-------

The company's investment of £186.9 million represents 100% interest (except where stated otherwise) in the ordinary share capital of the following companies:

ESP Gas Group Limited	Kellen Venture Limited (25%)
E.S. Pipelines Limited	ESP Pipelines Limited
ESP Networks Limited	ESP Connections Limited (25%)
East Surrey Holdings Limited	SESW Holding Company Limited
Sutton and East Surrey Water plc	Allmat (East Surrey) Limited
Surrey Downs Estates Limited	Surrey Downs Property Investment Limited
The Cheam Group plc	Sutton and East Surrey Water Services Limited
Advanced Minerals Limited	Fishe Limited

All these companies have been disposed of in 2006

7 Debtors

	2005 £m
<i>Amounts falling due within one year</i>	
Prepayments and accrued income	0.6
	<hr/> 0.6 <hr/>

8 Creditors: amounts falling due within one year

	2005 £m
Amounts owed to subsidiary undertaking	1.4
Accrued interest on bank loans	0.6
	<hr/> 2.0 <hr/>

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Notes (continued)

9 Creditors: amounts falling due after more than one year

	2005 £m
Bank loans	237.6
Loan notes due to parent undertaking	183.7
11% Redeemable preference shares	61.6
Accrued dividends on redeemable preference shares	1.0
	<hr/>
	483.9
	<hr/>

Bank loans represent amounts repayable between two and five years not by instalments, in the amount of £237.6m. Borrowings are secured by fixed charge on the company's and its subsidiaries real property, tangible moveable property, accounts, intellectual property, investments and goodwill.

Debt can be analysed as follows:

	2005 £m
In one year or less, or on demand	-
Between one and two years	-
Between two and five years	237.6
In five years or more	246.3
	<hr/>
	483.9
	<hr/>

10 Called up share capital

	2005 £'000
Authorised:	
100,000 ordinary shares of £1 each	100
129,900,000 11% cumulative redeemable preference shares of £1 each	129,900
	<hr/>
Allotted and fully paid:	
10,001 ordinary shares of £1 each	10
61,623,000 11% cumulative redeemable preference shares of £1 each	61,623
	<hr/>

The preference shares are presented as liabilities within Creditors: Amounts fallen due after more than one year.

Kellen Acquisitions Limited

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Notes *(continued)*

11 Profit and loss account

	£m
Loss for the financial period	(6.5)
	<hr/>
At 31 December 2005	(6.5)
	<hr/>

12 Reconciliation of movements in shareholders' funds

	2005 £m
Loss for the financial period	(6.5)
	<hr/>
Closing shareholders' funds	(6.5)
	<hr/>

13 Capital commitments, contingent liabilities and financial commitments

The company had no capital commitments, contingent liabilities or financial commitments at 31 December 2005. However East Surrey Holdings Limited, a subsidiary held for resale, had guaranteed certain purchase obligations of Phoenix Natural Gas Limited.

14 Related party disclosures

The company has taken advantage of the exemptions conferred by FRS8 as its results are consolidated in the financial statements of Kellen Investments Limited

15 Ultimate controlling party

At 31 December 2005 the immediate holding company was Kellen Investments Limited, a company incorporated in England. Group financial statements are available from Companies House.

At 31 December 2005 the ultimate parent undertaking was TFCP Holdings Limited, a company incorporated in Guernsey. Group financial statements are not prepared.

16 Post balance sheet events

On 27 January 2006, the group disposed of its investment in East Surrey Holdings Limited for a cash consideration of approximately £98 million. On 25 July 2006 the group disposed of its investment in ESP Gas Group Limited for a cash consideration of approximately £142 million.