

Kellen Venture Limited

**Directors' report and financial
statements**

Registered number 5443889

Period ended 31 December 2006



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Directors

R Wallace
J Hector
N J Clark
M Carr

Secretary and registered office

Taylor Wessing Secretaries Limited, Carmelite, 50 Victoria Embankment, Blackfriars, London, EC4Y 0DX

Company number

5443889

Auditors

BDO Stoy Hayward LLP
Emerald House,
East Street,
Epsom
KT17 1HS

Directors' report

The directors present their annual report and the audited financial statements for the 9 month period ended 31 December 2006

Principal activities

The company principally acts as a holding company for subsidiaries

Results

The profit and loss account is set out on page 5 and shows the loss for the period

Directors

The directors in office during the period were as follows

R Wallace
Q R Stewart (resigned 25 July 2006)
J Hector (appointed 25 July 2006)

N J Clark and M Carr were appointed as directors on 1 January 2007

None of the directors who held office at the end of the financial period had any disclosable interest in the shares of the Company

The directors who held office at the date of approval of this directors' report confirm that, 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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

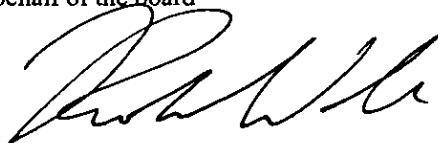
Auditors

During the period KPMG Audit PLC resigned as auditors and the Directors appointed BDO Stoy Hayward LLP as their successor. A resolution to reappoint BDO Stoy Hayward LLP will be proposed at the next Annual General Meeting

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

For and on behalf of the board

R Wallace
Director



Date 23 April 2007

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial period which 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 those 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, 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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 Auditor's Report To The Shareholders Of Kellen Venture Limited

We have audited the financial statements of Kellen Venture Limited for the period ended 31 December 2006 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 Auditor's Report To The Shareholders Of Kellen Venture Limited (*continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the period 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

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors

Epsom, Surrey

Date 24 April 2007

Profit and loss account

for the 9 month period ended 31 December 2006

	<i>Note</i>	9 months ended 31 December 2006 £	11 months ended 31 March 2006 £
Administrative expenses		(5,005)	(60,365)
Loss on ordinary activities		(5,005)	(60,365)
Interest payable and similar charges	3	(5,754,705)	(4,574,568)
Interest receivable	4	1,952,559	1,474,412
Loss on ordinary activities before taxation	2	(3,807,151)	(3,160,521)
Tax credit on loss on ordinary activities	7	1,139,145	520,424
Loss on ordinary activities after taxation	13	(2,668,006)	(2,640,097)

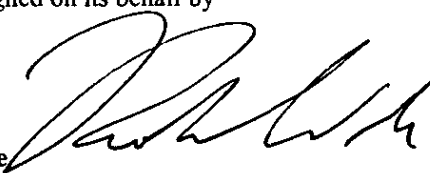
The operating loss of the company arose solely from continuing activities. There are no recognised gains or losses other than the loss for the financial period.

Balance sheet
at 31 December 2006

	<i>Note</i>	31 December 2006 £	31 March 2006 £
Fixed assets			
Investments	8	52,020,233	52,020,233
Current assets			
Debtors	9	39,556,615	38,993,945
Cash at bank and in hand		900,266	915,997
		40,456,881	39,909,942
Creditors amounts falling due within one year	10	(62,042,918)	(60,015,414)
Net current liabilities		(21,586,037)	(20,105,472)
Total assets less current liabilities		30,434,196	31,914,761
Creditors amounts falling due after more than one year	11	(16,114,452)	(14,927,011)
Net assets		14,319,744	16,987,750
Capital and reserves			
Called up share capital	12	19,627,847	19,627,847
Profit and loss account	13	(5,308,103)	(2,640,097)
Shareholders' funds	14	14,319,744	16,987,750

These financial statements were approved by the board of directors and authorised for issue on 23 April 2007 and are signed on its behalf by

R Wallace
 Director



Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

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

The company is exempt under section 228 of the Companies Act 1985 from the obligation to prepare group accounts and to 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 on the grounds that it is a wholly owned subsidiary undertaking of a company whose consolidated accounts include a consolidated cash flow statement dealing with the cash flow of the group

As 100% of the company's voting rights are controlled within the group headed by ESP Gas Group Limited the company has taken advantage of the exemptions contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of ESP Gas Group Limited, within which this company is included, are publicly available as described in note 16

The financial statements have been prepared on the going concern basis, notwithstanding net current liabilities of £21,586,037 and a loss for the period before taxation of £3,807,151. The company is dependent for its working capital on funds provided to it by a fellow group undertaking. This group undertaking has confirmed it will not seek repayment of amounts outstanding until there are sufficient funds available for the company to be able to make such a repayment. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Investments

Investments are stated at cost less amounts written off where the directors believe that there is an impairment.

Taxation

The charge for taxation is based on the loss for the period. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

2 Loss on ordinary activities before taxation

	9 months ended 31 December 2006	11 months ended 31 March 2006
	£	£
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration – Audit	5,005	6,000
	<u> </u>	<u> </u>

3 Interest payable and similar charges

	9 months ended 31 December 2006	11 months ended 31 March 2006
	£	£
Bank loan interest	4,019,433	2,742,977
Loan note interest	1,536,036	1,600,921
Bank charges	24,736	170
Loan arrangement fee amortisation	174,500	230,500
	<u> </u>	<u> </u>
	5,754,705	4,574,568
	<u> </u>	<u> </u>

Bank loan interest includes £1,251,694 in respect of early settlement of the bank loan

4 Interest receivable

	9 months ended 31 December 2006	11 months ended 31 March 2006
	£	£
Interest received from group undertakings	1,924,302	1,385,284
Bank interest received	28,257	89,128
	<u> </u>	<u> </u>
	1,952,559	1,474,412
	<u> </u>	<u> </u>

5 Remuneration of directors

No emoluments were paid to the directors in the period (March 2006 £nil)

6 Staff

The company employed no staff during the period (March 2006 nil)

Notes (continued)

7 Taxation

	9 months ended 31 December 2006 £	11 months ended 31 March 2006 £
<i>UK Corporation tax</i>		
Current tax credit on income in the period	1,139,144	520,424
	<hr/>	<hr/>
Total current tax credit	1,139,144	520,424
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax credit for the period is lower than the standard rate of corporation tax in the UK of 30%

	9 months ended 31 December 2006 £	11 months ended 31 March 2006 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(3,807,151)	(3,160,521)
	<hr/>	<hr/>
Current tax at 30%	(1,142,145)	(948,156)
<i>Effects of</i>		
Expenses not deductible for tax purposes	3,000	3,000
Losses carried forward	-	424,732
	<hr/>	<hr/>
	1,139,145	(520,424)
	<hr/>	<hr/>

A deferred tax asset of £424,811 in respect of tax losses has not been provided, since the Directors are not of the opinion that sufficient trading profits will be available to utilise these losses in the foreseeable future

Notes (continued)

8 Fixed asset investments

	Investment in subsidiary £
Cost and net book value at 1 April 2006	52,020,233
Additions	-
Cost and net book value at 31 December 2006	52,020,233

The subsidiary operates and is registered in England and Wales, as follows

Company name	Nature of business	Class of shares held	Holding (%)
ESP Connections Limited	Gas transportation	Ordinary	100

9 Debtors

	31 December 2006 £	31 March 2006 £
Amounts due from fellow subsidiaries	37,891,348	38,347,276
Other debtors	5,698	126,245
Group relief recoverable from fellow subsidiaries	1,659,569	520,424
	39,556,615	38,993,945

10 Creditors: amounts falling due within one year

	31 December 2006 £	31 March 2006 £
Trade creditors	7,050	-
Accruals and deferred income	-	100,197
Amounts owed to fellow subsidiaries	62,035,868	89,717
Bank loan	-	59,825,500
	62,042,918	60,015,414

Notes (continued)

11 Creditors: amounts falling due after more than one year

	31 December 2006 £	31 March 2006 £
Loan notes	16,114,452	14,927,011

The loan notes are repayable in 2015 and attract an interest rate of 13.63% per annum. Interest to date has been rolled into the principal amount

12 Share capital

	31 December 2006 £	31 March 2006 £
Authorised		
20,000,000 Ordinary shares of £1 each	20,000,000	20,000,000
	<u> </u>	<u> </u>
	31 December 2006 £	31 March 2006 £
Allotted, called up and fully paid		
19,627,847 Ordinary shares of £1 each	19,627,847	19,627,847
	<u> </u>	<u> </u>

13 Profit and loss account

	9 months ended 31 December 2006 £	11 months ended 31 March 2006 £
Loss for the financial period	(2,668,006)	(2,640,097)
Profit and loss account at the beginning of the period	(2,640,097)	-
	<u> </u>	<u> </u>
Profit and loss account at the end of period	(5,308,103)	(2,640,097)
	<u> </u>	<u> </u>

14 Reconciliation of movement in shareholders' funds

	9 months ended 31 December 2006 £	11 months ended 31 March 2006 £
Loss for the period	(2,668,006)	(2,640,097)
Shares issued in the period	-	19,627,847
Opening shareholders' funds	16,987,750	-
	<u> </u>	<u> </u>
Closing shareholders' funds	14,319,744	16,987,750
	<u> </u>	<u> </u>

Notes (continued)

15 Contingent liability

The company holds £605,000 on an escrow account on behalf of other group companies. This is a regulatory requirement and would be used to ensure the continuity of gas supplied by the group company in the event of the group company being unable to continue trading.

16 Immediate and ultimate holding company and parent undertaking of larger group

The company's immediate holding company is ESP Pipelines Limited, a company registered in England. The company's ultimate holding company became Zoom Holding Limited, a company registered in England and Wales, from 25 July 2006. The company's previous ultimate holding company was TFCP Holding Limited, a company registered in Guernsey.

The largest group in which the results of the company are consolidated is that headed by Zoom Holding Limited. The smallest group in which the results of the company are consolidated is that headed by ESP Gas Group Limited. Copies of these consolidated financial statements are available from Companies House.