

Inexus Limited

Registered Number: 5491200

Report and Financial Statements

30 June 2008

WEDNESDAY



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COMPANIES HOUSE

Inexus Limited

Registered No. 5491200

DIRECTORS

P Gibb
G Jenkins
D Corney
R Ward
M Pearce
C Dowling
S Bickerton
C McArthur
L Barry

SECRETARY

C Mumford

AUDITORS

Ernst & Young LLP
One Bridewell Street
Bristol
BS1 2AA

REGISTERED OFFICE

Ocean Park House
East Tyndall Street
Cardiff
CF24 5GT

Inexus Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 30 June 2008.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £2,993,003 (2007: £3,086,871). A dividend was proposed and paid during the year of £5,000,000 (2007 £nil).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company operates principally as an intermediate holding company on behalf of its immediate holding company.

The company acts as an intermediate holding company in the Inexus Group, the principal risks facing the group and a review of the business for the year can be found in the directors' report of Inexus Group Limited, the ultimate parent undertaking.

REVIEW OF RESULTS AND FUTURE PROSPECTS

The company performed in line with expectations during the year. The directors are satisfied that the company is well placed to continue to perform satisfactorily during the coming year.

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 require compliance with any relevant international and national legal or regulatory framework. In addition, the group has maintained registration of ISO 14001 environmental accreditation.

DIRECTORS

The directors who served during the year ended 30 June 2008 are shown below.

Name

P Gibb

G Jenkins

D Corney

R Ward

M Pearce

C Dowling

S Bickerton

D Houghton (resigned 18 July 2008)

C McArthur (appointed 19 September 2007)

L Barry (appointed 08 April 2008)

D Taylor (resigned 14 September 2007)

P Brook (resigned 08 April 2008)

DIRECTORS' REPORT

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 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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 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.

GOING CONCERN

After making appropriate enquiries, at the time of approving the financial statements, the directors have a reasonable expectation that the company and the group have adequate resources to continue in business for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the financial statements.

AUDITORS

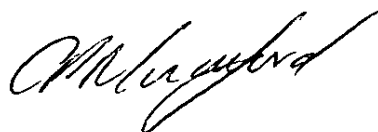
A resolution to re-appoint Ernst & Young LLP as the company's auditors will be put to the forthcoming Annual General Meeting.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the board at the time of approving the 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.

By order of the Board



C Mumford

11 December 2008

Inexus Limited

INDEPENDENT AUDITORS' REPORT

to the members of Inexus Limited

We have audited the company's financial statements for the year ended 30 June 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. 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' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and 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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether 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.

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 30 June 2008 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
Registered auditor
Bristol

16 Dec 2008

Inexus Limited

PROFIT AND LOSS ACCOUNT for the year ended 30 June 2008

		2008	2007
	Notes	£	£
TURNOVER		-	-
OPERATING PROFIT	2	-	-
Interest receivable from group companies		33,498,859	32,760,020
Interest payable and similar charges	4	(29,253,298)	(28,350,202)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,245,561	4,409,818
Tax on profit on ordinary activities	5	(1,252,558)	(1,322,947)
PROFIT FOR THE YEAR	11	2,993,003	3,086,871

Operating profit is wholly derived from continuing operations.

The company has no recognised gains or losses in the year other than the profits stated above.

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

Inexus Limited

BALANCE SHEET at 30 June 2008

	<i>Notes</i>	<i>2008</i> £	<i>2007</i> £
FIXED ASSETS			
Investments	6	2,035,488	1,894,187
CURRENT ASSETS			
Debtors	7	261,052,395	252,313,069
CREDITORS: amounts falling due within one year	8	(222,833,398)	(212,230,575)
NET CURRENT ASSETS		38,218,997	40,082,494
TOTAL ASSETS LESS CURRENT LIABILITIES		40,254,485	41,976,681
CREDITORS: amounts falling due after more than one year	9	(34,689,083)	(34,545,583)
NET ASSETS		5,565,402	7,431,098
CAPITAL AND RESERVES			
Called up share capital	10	2,035,488	1,894,187
Profit and loss account	11	3,529,914	5,536,911
EQUITY EQUITY SHAREHOLDERS' FUNDS	11	5,565,402	7,431,098

The financial statements were approved by the Board of Directors on 11 December 2008

Signed on behalf of the Board of Directors


D Corney

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

NOTES TO THE FINANCIAL STATEMENTS
at 30 June 2008

1. 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.

Fixed asset investments

The company's investments in shares of subsidiary undertakings are included at cost. The carrying value of fixed asset investments are reviewed for impairment if circumstances indicate that it may not be recoverable.

Group financial statements

As an intermediate holding company, the company has taken the exemption from preparing consolidated financial statements under section 228 of the Companies Act 1985.

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.

Debt instruments

All borrowings are initially stated at the fair value of the consideration received after deduction of issue costs. The issue costs on these borrowings are charged to the profit and loss account at a constant rate over the life of the borrowings.

2. OPERATING PROFIT

Auditors remuneration for the group as a whole has been included in the financial statements of Inexus (Services) Limited, a fellow subsidiary company, and amounted to £123,000 (2007: £72,000). Fees payable to auditors for non-audit services for the group amounted to £69,972 (2007: nil).

3. DIRECTORS' EMOLUMENTS AND STAFF COSTS

The directors received no emoluments in the year. 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 a fellow subsidiary.

Inexus Limited

NOTES TO THE FINANCIAL STATEMENTS at 30 June 2008

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2008 £	2007 £
Interest payable to immediate parent undertaking	26,234,303	25,686,870
Interest payable – bank loans	2,875,495	2,519,832
Loan issue costs amortised	143,500	143,500
	<u>29,253,298</u>	<u>28,350,202</u>

5. TAX

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2008 £	2007 £
Current tax:		
Group relief charge in respect of the current year (note 5(b))	1,252,558	1,322,947
Tax on profit on ordinary activities	<u>1,252,558</u>	<u>1,322,947</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is the same as the standard rate of corporation tax in the UK of 29.5% (2007: 30%).

Inexus Limited

NOTES TO THE FINANCIAL STATEMENTS at 30 June 2008

6. FIXED ASSET INVESTMENTS

	2008 £
At 1 July 2007	1,894,187
Additions	141,301
At 30 June 2008	<u>2,035,488</u>

Fixed asset investments are in group undertakings and are stated at cost.

The company's investments represent equity shares in Inexus Connections Limited, a wholly owned subsidiary incorporated in England and Wales.

The company has indirect investments in the following group companies:

Name of Company	Holding	Country of Incorporation	Nature of Business
Inexus Group (Holdings) Limited	100%	England and Wales	Holding company
Independent Pipelines Limited	100%	England and Wales	Ownership and operation of gas infrastructure in the UK
Quadrant Pipelines Limited	100%	England and Wales	Ownership and operation of gas infrastructure in the UK
Independent Meters Limited	100%	England and Wales	Ownership and operation of utility meters in the UK
Independent Power Networks Limited	100%	England and Wales	Ownership and operation of electric infrastructure in the UK
Inexus (Services) Limited	100%	England and Wales	Provider of central services to group companies
Connect Utilities Limited	100%	England and Wales	Procurement, design and management of utility infrastructure projects in the UK
Envoy Asset Management Limited	100%	England and Wales	Maintaining and managing gas, electricity and other utility assets.
Independent Fibre Networks Limited	100%	England and Wales	Procurement, design and management of fibre optic networks in the UK
Exoteric Gas Holdings Limited	100%	England and Wales	Holding Company
Exoteric Gas Solutions Limited	100%	England and Wales	Procurement, design and management of utility infrastructure projects in the UK
Commercial Meters Limited	100%	England and Wales	Ownership and operation of utility meters in the UK
Reactive Flow Controls Limited	100%	England and Wales	Procurement and design of gas flow modules in the UK
Gas Engineering Services Limited	100%	England and Wales	Procurement, design and management of utility infrastructure projects in the UK
Inexus (EST) Limited	100%	England and Wales	Corporate trustee of an employee share ownership trust
Independent Next Generation Networks Limited (formerly Inexus No. 1 Limited)	100%	England and Wales	Dormant
Independent Service Provider Limited (formerly Inexus No.2 Limited)	100%	England and Wales	Dormant
Inexus No.3 Limited	100%	England and Wales	Dormant
Independent Community Heating Limited (formerly Inexus No.4 Limited)	100%	England and Wales	Dormant
Metropolitan Infrastructure Limited	100%	England and Wales	Dormant
Independent Water Networks Limited	100%	England and Wales	Dormant

Inexus Limited

NOTES TO THE FINANCIAL STATEMENTS

at 30 June 2008

7. DEBTORS

	2008 £	2007 £
Amounts owed by fellow subsidiary undertakings	261,052,395	252,313,069

Amounts owed by fellow subsidiary undertakings are unsecured and are repayable on demand. Interest is charged at a fixed rate of 14%, and calculated monthly.

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £	2007 £
Loan interest accrual	901,580	893,830
Amounts owed to immediate parent undertaking	221,931,818	211,336,745
	<u>222,833,398</u>	<u>212,230,575</u>

Amounts due to the immediate parent undertaking are unsecured and repayable on demand. Interest is charged at a fixed rate of 13%, and calculated monthly.

9. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008 £	2007 £
Bank loan	35,000,000	35,000,000
Issue costs	(310,917)	(454,417)
	<u>34,689,083</u>	<u>34,545,583</u>

Bank Loan

On 31 August 2005 the Company entered into a credit agreement with Barclays Capital and Royal Bank of Canada as Lead Arrangers, and Barclays Bank Plc as Agent and Secured Trustee to provide a term credit facility not exceeding £35,000,000 to be repayable in full on 31 August 2010. The full balance outstanding is classified as falling due after more than one year.

Interest on the term loan is payable at the rate per annum equal to Libor, plus the mandatory cost rate, plus a margin of 2%.

Security

The bank loan is secured by a cross guarantee with Inexus Connections Limited.

Total bank and other loans are as follows:

	2008 £	2007 £
Due within 2 and 5 years	<u>35,000,000</u>	<u>35,000,000</u>

Inexus Limited

NOTES TO THE FINANCIAL STATEMENTS at 30 June 2008

10. SHARE CAPITAL

	<i>Authorised</i>	<i>Authorised</i>	<i>Allotted, issued and fully paid</i>	<i>Allotted, issued and fully paid</i>
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>No.</i>	<i>No.</i>	<i>£</i>	<i>£</i>
Ordinary shares of £0.01 each	10,000,000,000	10,000,000,000	2,035,488	1,894,187

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total Shareholders' Funds</i>	<i>Total Shareholders' Funds</i>
	<i>£</i>	<i>£</i>	<i>2008</i>	<i>2007</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
At 1 July	1,894,187	5,536,911	7,431,098	4,344,227
Issued in the year	141,301	-	141,301	-
Profit for the year	-	(2,993,003)	(2,993,003)	3,086,871
Dividend paid	-	(5,000,000)	(5,000,000)	3,086,871
At 30 June	2,035,488	3,529,914	5,565,402	7,431,098

12. CONTINGENT LIABILITIES

The company has entered into cross guarantees with fellow subsidiary undertakings, which guarantee certain of the borrowings of the group. As at 30 June 2008 the total borrowings amounted to £354,250,709 (2007: £301,750,709).

13. RELATED PARTIES

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

14. ULTIMATE PARENT COMPANY

The company's ultimate parent undertaking is Inexus Group Limited, a company registered in England and Wales.

Copies of the financial statements of Inexus Group Limited can be obtained from Ocean Park House, East Tyndall Street, Cardiff, CF24 5GT.

In the view of the directors the ultimate controlling party is Challenger Infrastructure Fund, a company quoted on the Australian Stock Exchange. Copies of the company's financial statements can be obtained from Level 15, 255 Pitt Street, Sydney, NSW 2000, Australia.