

Phoenix Distribution Holdings Limited
Directors' Report and Financial Statements
Year ended 31 December 2009

Company number: 06455596

Phoenix Distribution Holdings Limited
Directors' Report and Financial Statements
Year ended 31 December 2009

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Directors and other information

Directors	P V Dixon W F M McKinstry
Secretary	L & B Secretaries
Auditors	KPMG 17/25 College Square East Belfast BT1 6DH
Bankers	Northern Bank Donegall Square West Belfast BT1 6JS Barclays Capital 5 The North Colonnade Canary Wharf London E14 4BB The Royal Bank of Scotland plc 135 Bishopsgate London EC2M 3UR
Solicitors	McGrigors Arnott House 12-16 Bridge Street Belfast BT1 1LS
Registered office	Carmelite 5 New Street Square London EC4A 3TN
Company registration number	06455596

Phoenix Distribution Holdings Limited

Directors' Report and Financial Statements

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2009.

Principal activities

The principal activity of the Group is the development and operation of the natural gas distribution network in Greater Belfast and Larne.

Review of business and future developments

The company is indirectly a 100% subsidiary of Kellen Investments Limited and full details of the business undertaken by the Kellen Group are contained within the annual report and accounts of this company.

The main operating business either directly or indirectly owned by the company during the year was Phoenix Natural Gas Limited (PNG), the owner and operator of a natural gas distribution network in Greater Belfast and Larne areas of Northern Ireland. This business is regulated under licence by the Northern Ireland Authority for Utility Regulation (NIAUR).

During the year, PNG established a new public company, Phoenix Natural Gas Finance plc (PNGF), with the purpose of raising funds to support the long term debt financing requirements of PNG.

Further to a prospectus dated 28 October 2009, PNGF issued £275m of 5.5% Guaranteed Bonds, guaranteed by PNG and the company (PDHL) due in 2017.

The proceeds from this bond issue have been loaned through an Intercompany Loan Agreement to PNG. PNG used these funds to enable it to refinance its previous external and intra-group indebtedness.

In addition PNG has entered a new £50m revolving capex facility and a £30m revolving working capital facility with Barclays Bank PLC and Royal Bank of Scotland plc, guaranteed by the company (PDHL) in support of its future investment plans over the next 3 years.

Principal risks and uncertainties

From the perspective of the Group, the principal risks and uncertainties are integrated with the principal risks of Kellen Investments Limited. Accordingly the principal risks and uncertainties are discussed in the annual report and accounts of Kellen Investments Limited, which does not form part of this report.

Key Performance Indicators

Given the straightforward nature of the business, the Group's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. A discussion of the development, performance and position of

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Directors' report (Continued)

the business in the context of the Group as a whole is provided in the annual report and accounts of Kellen Investments Limited which does not form part of this report.

Results and dividends

The loss for the year is £0.7m, (2008: £3.5m). No dividends were paid during the year.

Political and charitable donations

The Group made charitable donations amounting to £16,144 during the year (2008: £15,892). No donations for political purposes were made during the year (2008: £nil).

Directors and their interests

The directors who served during the year are shown on page 3. None of the directors have an interest in the shares of the company.

Employment policies

The Group is committed to a proactive approach in promoting equality of opportunity. The Group ensures that it operates fairly and equitably in its dealings with employees and prospective employees.

The Group is opposed to all forms of unlawful and unfair discrimination. The Group ensures through all of its personnel policies, practices and procedures that employment, training and promotion opportunities within the company provide employment equality to all, irrespective of:

- Gender, marital or family status
- Religious belief or political opinion
- Disability
- Race or ethnic origin
- Nationality
- Sexual orientation
- Age

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.

Policy and practice on payment of creditors

The company is a registered supporter of the Better Payment Practice Group's 'Better Payment Practice Code' to which it subscribes when dealing with all of its suppliers. Copies of the Better Payment Practice Group's code are available from the Department of Trade & Industry. Trade creditors at the year-end represented 26 days (2008: 29 days) of purchases. It is the Group's policy in respect of all suppliers to agree payment terms in advance of the supply of goods and to adhere to those payment terms.

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Directors' report (Continued)

Disclosure of information to auditors

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 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

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG will therefore continue in office.

By order of the board

WFM McKinstry
Director

23 June 2010

Phoenix Distribution Holdings Limited

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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 group and parent company financial statements in accordance with UK Generally Accepted Accounting Practice and applicable law.

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and parent 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 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 group and parent company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and parent company and to enable them to ensure that the financial statements comply with the Companies Act 2006. 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 responsible for the maintenance and integrity of the corporate and financial information included in the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors are also responsible for preparing a Director's Report that complies with the Companies Act 2006.

On behalf of the board

WFM McKinstry
Director

23 June 2010

Phoenix Distribution Holdings Limited

Directors' Report and Financial Statements

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Independent auditors' report

We have audited the group and parent company financial statements of Phoenix Distribution Holdings Limited for the year ended 31 December 2009 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards (UK 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 page 7, the directors are responsible for preparing the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 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. Further details of the scope of an audit of financial statements are provided on the Auditing Practices Board's website at <http://www.apb.org.uk/apb/scope>.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the company's affairs as at 31 December 2009 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report is consistent with the financial statements.

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Independent auditors' report (Continued)

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.

Jon D'Arcy (Senior Statutory Auditor)
for and on behalf of KPMG, Statutory Auditor
Chartered Accountants
Stokes House
17-25 College Square East
Belfast
BT1 6DH

23 June 2010

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Consolidated profit and loss account

	<i>Note</i>	2009 £'m	2008 £'m
Turnover	2	37.3	34.4
Cost of sales		0.0	0.0
Gross profit		37.3	34.4
Net operating expenses	3	(21.5)	(20.3)
Operating profit	4	15.8	14.1
Loss on sale of fixed assets		(0.1)	0.0
Interest payable and similar charges	7	(21.2)	(34.8)
Interest receivable and similar income	8	6.5	17.5
Profit/(loss) on ordinary activities before taxation		1.0	(3.2)
Taxation	9	(1.7)	(0.3)
(Loss) for the financial year	21	(0.7)	(3.5)

A statement of movements on reserves is given in Note 21.

The notes on pages 15 to 28 form part of these financial statements.

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Consolidated statement of total recognised gains and losses

	2009	2008
	£'m	£'m
(Loss) for the financial year	(0.7)	(3.5)
Total recognised (loss) since last report	(0.7)	(3.5)

The notes on pages 15 to 28 form part of these financial statements.

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Consolidated balance sheet

	<i>Note</i>	2009	2008
		£'m	£'m
Fixed assets			
Tangible assets	<i>11</i>	189.6	183.0
Intangible assets	<i>13</i>	156.0	160.1
		345.6	343.1
Current assets			
Stocks	<i>15</i>	0.8	0.7
Debtors: Amounts falling due within one year	<i>16</i>	235.2	263.3
Debtors: Amounts falling due after one year	<i>16</i>	0.0	0.0
Cash at bank and in hand		4.7	45.0
Total current assets		240.7	309.0
Creditors: Amounts falling due within one year	<i>17</i>	(63.0)	(418.2)
Net current assets		177.7	(109.2)
Total assets less current liabilities		523.3	233.9
Creditors: Amounts falling due after one year	<i>17</i>	(272.2)	(215.5)
Provisions for liabilities and charges	<i>18</i>	(15.6)	(19.3)
Deferred income	<i>19</i>	(2.5)	(2.6)
Net assets		233.0	(3.5)
Capital and reserves			
Called up share capital	<i>20</i>	237.2	0.0
Profit and loss account	<i>21</i>	(4.2)	(3.5)
Shareholders' funds	<i>22</i>	233.0	(3.5)

The financial statements were approved by the Board of Directors on 23rd June 2010 and are signed on its behalf by:

WFM McKinstry
Director
23rd June 2010

The notes on pages 15 to 28 form part of these financial statements.

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Company balance sheet

	<i>Note</i>	2009	2008
		£'m	£'m
Fixed assets			
Tangible assets	<i>12</i>	0.0	0.0
Investments	<i>14</i>	54.7	0.0
		54.7	0.0
Current assets			
Debtors: Amounts falling due within one year	<i>16</i>	206.3	200.3
Debtors: Amounts falling due after one year	<i>16</i>	0.0	0.0
Cash at bank and in hand	-	0.0	0.0
Total current assets		206.3	200.3
Creditors: Amounts falling due within one year	<i>17</i>	(24.1)	(15.6)
Net current assets		182.2	184.7
Total assets less current liabilities		236.9	184.7
Creditors: Amounts falling due after one year	<i>17</i>	0.0	(182.5)
Net assets		236.9	2.2
Capital and reserves			
Called up share capital	<i>20</i>	237.2	0.0
Profit and loss account	<i>21</i>	(0.3)	2.2
Shareholders' funds	<i>22</i>	236.9	2.2

The financial statements were approved by the Board of Directors on 23rd June 2010 and are signed on its behalf by:

WFM McKinstry
 Director
 23rd June 2010

Company registration number: 06455596

The notes on pages 15 to 28 form part of these financial statements.

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Consolidated cash flow statement

	<i>Note</i>	2009	2008
		£'m	£'m
Net cash (out)/inflow from operating activities	23	(69.9)	55.8
Returns on investment and servicing of finance			
Interest paid		(21.2)	(37.6)
Interest received		6.5	20.3
		(14.7)	(17.3)
Taxation		0.0	0.0
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(12.2)	(10.8)
		(12.2)	(10.8)
Net cash outflow/(inflow) before financing		(96.8)	27.7
Financing			
Cash acquired with trade and net assets		0.0	17.9
Issue of bond (net of issue costs)		267.0	0.0
Repayment of loan to bank		(210.5)	(0.6)
		56.5	17.3
(Decrease)/Increase in cash in period	24	(40.3)	45.0

The notes on pages 15 to 28 form part of these financial statements.

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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 2006 and applicable accounting standards. The principal accounting policies are set out below.

Basis of preparation

The consolidated financial statements incorporate the financial statements of Phoenix Distribution Holdings Limited, Phoenix Natural Gas Limited and Phoenix Natural Gas Finance plc for the year ended 31 December 2009. This is the first set of consolidated financial statements prepared for the Group

All subsidiaries are accounted for using the acquisition method of accounting and the profit and loss account and statement of cash flows of the group include the results and cash flows of subsidiaries from the date of acquisition to the period end. All transactions between the businesses of the Group have been eliminated in the preparation of the consolidated financial statements.

Going concern

As highlighted in note 17 to the financial statements, the Group is financed through bank debt loan facilities and bond finance to support continued investment in its infrastructure assets and to meet its general working capital requirements. This debt facility is due for renewal in November 2012 and the bond due for redemption in 2017.

The Group's forecasts and projections, taking account of reasonable levels of possible changes in trading performance, show that the Group is capable of operating well within the level of its current facilities and also able to meet all its covenant requirements until they mature.

As a result of the above the directors consider it appropriate to prepare the financial statements on a going concern basis.

Revenue recognition

Turnover represents the invoiced value of goods supplied during the year excluding value added tax and intra group sales. Revenue includes an assessment of energy and transportation services supplied to customers between the date of the last meter reading and the year end.

Where revenue received or receivable exceeds the maximum amount permitted by regulatory agreement and adjustments will be made to future prices to reflect this over recovery, no liability is recognised as such an adjustment to future prices relates to the provision of future services.

Similarly no asset is recognised where a regulatory agreement permits adjustments to be made to future prices in respect of an under recovery.

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1 Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of:

1/ Material timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date, and

2/ Tax losses not group relieved in the current period.

Timing differences are differences between the company's taxable profit and its results as stated in the financial statements.

Deferred tax assets and liabilities recognised have not been discounted.

Investments

Investments held by the company in subsidiary undertakings are stated at cost less amounts written off.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis, beginning with the year following expenditure, over the expected useful economic lives of the assets concerned.

The economic lives used are as follows:

	Years
Distribution mains -	60
Distribution services -	35
Distribution meters -	20
Office equipment and fixtures & fittings -	5

Costs incurred relating to the development of the transmission pipeline are capitalised and treated as tangible fixed assets. The costs of the pipeline, when completed and in operation, are depreciated over its expected economic life.

Intangible fixed assets

Intangible fixed assets comprise the value attributed to the various licences acquired with Phoenix Natural Gas Limited. These are being amortised over the distribution licence recovery period of 40 years.

Debtors

Debtors are stated after provision has been made against all debts considered doubtful of collection.

Pensions

The Group operates two defined contribution pension schemes and costs are accounted for on the basis of charging the pension costs over the period during which the Group will benefit from the employee's services.

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1 Accounting policies (continued)

Interest bearing borrowings

Immediately after issue, the debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of finance costs. These costs are allocated to the debt over the term of the debt at a constant rate of the carrying amount .

Stocks

Stock has been valued at the lower of cost and net realisable value.

Government grants

The European Regional Development Grant relates specifically to capital expenditure on the high pressure distribution pipeline and is treated as deferred income which is then credited to the profit and loss account over the related asset's useful life.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes a legal form of the Company's own shares, the amounts presented in these financial statements are called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both an equity and a financial liability component exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

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1 Accounting policies (continued)

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholder fund (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Cash Long Term Incentive Plan

The Kellen Group operates a long term incentive plan for certain key executives under which the amounts receivable are dependent on the value of the Kellen Acquisitions Limited (KAL) upon the sale of the KAL Group. This plan is treated as cash settled share-based in accordance with the provisions of FRS 20 Share-based Payments and the cost of the expected payment is recognised over the expected period of the plan.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Analysis of turnover

The Group's turnover, profits and net assets all relate to the business of gas distribution and supply in the Greater Belfast area and Larne together with the provision of energy services.

3 Net operating expenses

Net operating expenses were all considered to be administrative expenses.

4 Operating profit

This is stated after charging/(crediting):	Group	Group
	2009	2008
	£'m	£'m
Depreciation – owned assets	5.5	5.2
Amortisation of intangible assets	4.1	4.1
European Regional Development Grant release	(0.1)	(0.1)
Operating lease rentals	1.0	0.9
Auditors' remuneration	0.0	0.0

The auditors' remuneration in respect of the individual Company accounts amounted to £2k, (2008: £5k).

KPMG Belfast were paid £112k for non-audit related services to the Group during the year, (2008: £nil). KPMG London were paid £118k for non-audit related services to the Group during the year, (2008: £nil).

Discontinued operations

Details of discontinued activities are not material and accordingly have not been separately disclosed.

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5 Employee information

The average number of persons employed by the Group (including executive directors) analysed by category during the period was as follows:

	Group 2009 No	Group 2008 No
Operational	70	73
Administration	36	36
	106	109

The aggregate staff costs of these persons were as follows:

	Group 2009 £'m	Group 2008 £'m
Wages and salaries	3.9	4.0
Social security costs	0.4	0.5
Other pension costs	0.4	0.3
	4.7	4.8

6 Directors' remuneration

	Group 2009 £'m	Group 2008 £'m
Emoluments	1.0	0.9
Amount receivable under long term incentive schemes	0.2	0.0
Company pension contributions	0.1	0.1
	1.3	1.0

Details in respect of the highest paid director are as follows:

	Group 2009 £'m	Group 2008 £'m
Emoluments	0.5	0.5
Amount receivable under long term incentive schemes	0.1	0.0
Company pension contributions	0.0	0.0
	0.6	0.5

Retirement benefits are accruing to two executive directors under a group defined contributon scheme.

The Group operates a long term incentive plan for certain key executives under which the amounts receivable are dependent on the value of the Kellen Acquisitions Limited (KAL) upon the sale of the KAL Group. This plan is treated as cash settled share-based in accordance with the provisions of FRS 20 Share-based Payments and the cost of the expected payment is recognised over the expected period of the plan.

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7 Interest payable and similar charges

	Group	Group
	2009	2008
	£'m	£'m
Amounts payable on bank loans and overdrafts	(11.9)	(13.1)
Other	(9.3)	(21.7)
	(21.2)	(34.8)

8 Interest receivable and similar income

	Group	Group
	2009	2008
	£'m	£'m
Bank interest	0.3	1.5
Other	0.0	16.0
Swap receipts	6.2	0.0
	6.5	17.5

9 Taxation

	Group	Group
	2009	2008
	£'m	£'m
<i>Current Tax</i>		
UK corporation tax for the year	3.2	(0.7)
Adjustments relating to earlier years	2.2	0.0
Total current tax charge/(credit)	5.4	(0.7)
<i>Deferred tax</i>		
Origination/reversal of timing differences	(1.6)	1.0
Adjustments relating to earlier years	(2.1)	0.0
Total deferred tax (credit)/charge	(3.7)	1.0
Total tax charge	1.7	0.3

The current tax charge for the period is higher than (2008 lower than) the standard rate of corporation tax in the UK. The differences are explained below:

<i>Current tax reconciliation</i>	£'m	£'m
Profit/(Loss) on ordinary activities before tax	1.0	(3.2)
Current tax at 28% (2008: 28.5%)	0.3	(0.9)
<i>Effects of:</i>		
Adjustment relating to earlier years	2.2	0.0
Expenses not deductible for tax purposes	1.3	1.2
Excess capital allowances	1.4	(1.0)
Other timing differences	0.0	0.0
Deferred tax asset not recognised	0.0	0.0
Non taxable profit on disposal	0.0	0.0
Other permanent differences	0.2	0.0
Total current tax charge/(credit)	5.4	(0.7)

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

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10 Profit for the financial year

As permitted by Section 408 of the Companies Act 2006, the holding company's profit and loss account has not been included in these financial statements. The holding company's loss for the financial period was £2.5 million.

11 Tangible fixed assets (Group)

	Office equipment £'m	Furniture & fixtures £'m	Distribution system £'m	Transmission pipeline £'m	Total £'m
<i>Cost</i>					
At 1 January 2009	1.7	2.6	212.2	0.0	216.5
Additions	0.1	0.4	11.7	0.0	12.2
Disposals	0.0	0.0	(0.2)	0.0	(0.2)
At 31 December 2009	1.8	3.0	223.7	0.0	228.5
<i>Depreciation</i>					
At 1 January 2009	1.6	1.3	30.6	0.0	33.5
Charge for the year	0.1	0.2	5.2	0.0	5.5
Disposals	0.0	0.0	(0.1)	0.0	(0.1)
At 31 December 2009	1.7	1.5	35.7	0.0	38.9
<i>Net book value</i>					
At 31 December 2008	0.1	1.3	181.6	0.0	183.0
At 31 December 2009	0.1	1.5	188.0	0.0	189.6

12 Tangible fixed assets (Company)

	Office equipment £'m	Furniture & fixtures £'m	Distribution system £'m	Transmission pipeline £'m	Total £'m
<i>Cost</i>					
At 1 January 2009	0.0	0.0	0.0	0.0	0.0
Additions	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
At 31 December 2009	0.0	0.0	0.0	0.0	0.0
<i>Depreciation</i>					
At 1 January 2009	0.0	0.0	0.0	0.0	0.0
Charge for the year	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0
At 31 December 2009	0.0	0.0	0.0	0.0	0.0
<i>Net book value</i>					
At 31 December 2008	0.0	0.0	0.0	0.0	0.0
At 31 December 2009	0.0	0.0	0.0	0.0	0.0

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13 Intangible fixed assets (Group)

	Licence £'m	Total £'m
<i>Cost</i>		
At 1 January 2009	164.2	164.2
Additions	0.0	0.0
Disposals	0.0	0.0
At 31 December 2009	164.2	164.2
<i>Amortisation</i>		
At 1 January 2009	4.1	4.1
Charge for the year	4.1	4.1
Disposals	0.0	0.0
At 31 December 2009	8.2	8.2
<i>Net book value</i>		
At 31 December 2008	160.1	160.1
At 31 December 2009	156.0	156.0

14 Fixed asset investments

	Group 2009 £'m	Company 2009 £'m	Group 2008 £'m	Company 2008 £'m
Shares in subsidiary undertakings				
Cost at 1 January	0.0	0.0	0.0	0.0
Equity shares issued	0.0	54.7	0.0	0.0
Cost at 31 December	0.0	54.7	0.0	0.0
Net Book Value	0.0	54.7	0.0	0.0

During the year Phoenix Natural Gas Ltd, a direct subsidiary of Phoenix Distribution Holdings Ltd, issued 54.7m equity shares of £1 each as part of the refinancing of the Group.

Company name	Holding	Holding %	Country of incorporation	Activity
Phoenix Natural Gas Ltd	Direct	100%	Northern Ireland	note (i)
Phoenix Natural Gas Finance plc	Indirect	100%	Northern Ireland	note (ii)

Note (i) Phoenix Natural Gas Ltd distributes natural gas to the Greater Belfast area.

Note (ii) Phoenix Natural Gas Finance plc has issued a bond listed on the LSE

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15 Stocks

	Group 2009	Company 2009	Group 2008	Company 2008
	£'m	£'m	£'m	£'m
Stock of spares and meters	0.8	0.0	0.7	0.0
	0.8	0.0	0.7	0.0

16 Debtors

	Group 2009	Company 2009	Group 2008	Company 2008
	£'m	£'m	£'m	£'m
<i>Amounts falling due within one year</i>				
Trade	18.3	0.0	0.3	0.0
Amounts owed by subsidiary undertaking	0.0	0.1	0.0	0.0
Amounts owed by Kellen Group undertakings	206.0	205.2	257.2	199.5
Prepayments and accrued income	10.9	1.0	5.8	0.8
	235.2	206.3	263.3	200.3
<i>Amounts falling due after one year</i>				
Amounts owed by subsidiary undertaking	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0

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17 Creditors

	Group 2009 £'m	Company 2009 £'m	Group 2008 £'m	Company 2008 £'m
<i>Amounts falling due within one year</i>				
Trade	9.4	0.0	3.4	0.0
Amounts owed to subsidiary undertaking	0.0	0.0	0.0	9.3
Amounts owed to Kellen Group undertakings	34.2	24.0	394.9	5.7
Accruals and deferred income	19.4	0.1	19.9	0.6
	63.0	24.1	418.2	15.6
<i>Amounts falling due after one year</i>				
Bank loans	5.0	0.0	215.5	182.5
Bond	267.2	0.0	0.0	0.0
	272.2	0.0	215.5	182.5
<i>Amounts falling due after one year: analysis</i>				
<i>Amounts falling due between one and two years</i>				
Bank loans	0.0	0.0	215.5	182.5
	0.0	0.0	215.5	182.5
<i>Amounts falling due between two and five years</i>				
Bank loans	5.0	0.0	0.0	0.0
	5.0	0.0	0.0	0.0
<i>Amounts falling due after five years</i>				
Bond	267.2	0.0	0.0	0.0
	267.2	0.0	0.0	0.0

- There were no committed undrawn borrowing facilities.
- The Group's borrowings are denominated in sterling.
- The Bonds issued by its subsidiary, Phoenix Natural Gas Finance plc., are guaranteed by Phoenix Natural Gas (PNG) and Phoenix Distribution Holdings (PDHL) whilst the bank debt facilities entered into by PNG are also guaranteed by PDHL. The PDHL guarantees are supported by security over PDHL's assets, principally shares in PNG and an assignment of undertakings from the investors in Kellen Investments Limited (KIL) to PDHL supported by their shares in KIL.
- The bond issued is repayable in 2017 and carries a fixed coupon rate of 5.5% per annum payable quarterly. The £267.2m repayable after 5 years is stated after deducting issue costs of £8m and the addition of amortised loan issue costs of £0.2m.

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18 Provisions for liabilities and charges

	Group 2009 £'m	Company 2009 £'m	Group 2008 £'m	Company 2008 £'m
<i>Deferred taxation</i>				
Accelerated capital allowances	(16.6)	0.0	(20.0)	0.0
Short term timing differences	1.0	0.0	0.7	0.0
	(15.6)	0.0	(19.3)	0.0
<i>Deferred tax liability</i>				
At 1 January 2009	(19.3)	0.0	(18.3)	0.0
Charged to profit and loss account	3.7	0.0	(1.0)	0.0
At 31 December 2009	(15.6)	0.0	(19.3)	0.0

19 Deferred income

	Group £'m	Company £'m
ERD grant received		
At 1 January 2009	2.6	0.0
Credit to profit and loss account	(0.1)	0.0
At 31 December 2009	2.5	0.0

20 Called up share capital

	2009	2008
<i>Allotted and fully paid:</i>		
Ordinary shares of £1 each	237,217,824	2

Ordinary shares each carry one vote.

During the year the company issued 237,217,822 ordinary shares of £1 each as part of the refinancing of the Group.

21 Reconciliation of movements in reserves

	Group 2009 £'m	Company 2009 £'m	Group 2008 £'m	Company 2008 £'m
Revenue reserves brought forward	(3.5)	2.2	0.0	0.0
(Loss)/profit for the financial year	(0.7)	(2.5)	(3.5)	2.2
Revenue reserves carried forward	(4.2)	(0.3)	(3.5)	2.2

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22 Reconciliation of movements in shareholders' funds

	Group	Company	Group	Company
	2009	2009	2008	2008
	£'m	£'m	£'m	£'m
Opening shareholders' funds	(3.5)	2.2	0.0	0.0
Equity share capital issued	237.2	237.2	0.0	0.0
(Loss)/profit for the financial year	(0.7)	(2.5)	(3.5)	2.2
Closing shareholders' funds	233.0	236.9	(3.5)	2.2

23 Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	Group	Group
	2009	2008
	£'m	£'m
Operating profit/(loss)	15.8	14.1
Release of ERDF Grant	(0.1)	(0.1)
Depreciation	5.5	5.2
Goodwill amortisation	4.1	4.1
(Increase)/decrease in stocks	(0.1)	0.0
(Increase)/decrease in debtors	28.1	9.9
Increase/(decrease) in creditors	(123.2)	22.6
Net cash (outflow)/inflow from operating activities	(69.9)	55.8

24 Reconciliation of net cash flow to movement in net debt

	Group	Group
	2009	2008
	£'m	£'m
(Decrease)/increase in cash in period	(40.3)	45.0
Increase in bond debt	(267.0)	0.0
Decrease in bank loan	210.5	0.6
Movement in net debt resulting from cashflows	(96.8)	45.6
Non cash adjustment - amortisation of bond issue costs	(0.2)	0.0
Movement in net debt during the year	(97.0)	45.6
Opening net debt	(170.5)	(216.1)
Closing net debt	(267.5)	(170.5)
Analysed as follows		
Bank loans > 1 year	(5.0)	(215.5)
Bond	(267.2)	0.0
Cash at bank and in hand	4.7	45.0
Closing net debt	(267.5)	(170.5)

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25 Pension commitments

The Group operates two pension schemes:

- a. Group Personal Pension Scheme A – this is a defined contribution scheme set up to accommodate members transferring from the Water Companies' Pension Scheme. Enhanced employer contributions are made so as to align forecast benefits with those that would otherwise have accrued under the defined benefit Water Companies' Pension scheme. Separate life assurance is provided and paid by the company for all of these employees.
- b. Group Personal Pension Scheme B – this is a defined contribution scheme which the company contributes directly towards. Separate life assurance is provided and paid by the company for all of these employees.

The total contributions to the above schemes during the year were £0.4m (2008: £0.5m).

26 Capital commitments

	Group	Company	Group	Company
	2009	2009	2008	2008
	£'m	£'m	£'m	£'m
<i>Capital expenditure</i>				
Contracted but not provided for	4.6	0.0	3.8	0.0

27 Contingent liabilities

At 31 December 2009 the Group and Company had no contingent liabilities (31 December 2008: £Nil).

28 Financial commitments

At 31 December 2009 the Group and Company had annual commitments under non-cancellable operating leases expiring as follows:

	Group	Company	Group	Company
	2009	2009	2008	2008
	£'m	£'m	£'m	£'m
Motor Vehicles				
Within one year	0.1	0.0	0.1	0.0
Within two to five years	0.4	0.0	0.3	0.0
After five years	0.0	0.0	0.0	0.0
	0.5	0.0	0.4	0.0
Property				
Within one year	0.0	0.0	0.0	0.0
Within two to five years	0.5	0.0	0.5	0.0
After five years	0.0	0.0	0.0	0.0
	0.5	0.0	0.5	0.0

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29 Related party disclosures

Advantage has been taken of the exemption contained in FRS 8 not to disclose transactions or balances with entities which form part of the Kellen Investments Limited consolidated Group.

30 Ultimate controlling party

The immediate parent company and controlling company is Carmel Capital II Sarl, a company incorporated in Luxemburg, with registered office address 41 Boulevard du Prince Henri, L-1724 Luxembourg. Group accounts are not prepared at this level.

The directors regard TFCP Holdings Limited, a company registered in Guernsey, to be the ultimate parent company and controlling party.